

CITY OF NEGAUNEE, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended December 31, 2007

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Negaunee, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Negaunee, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Negaunee, Michigan, as of December 31, 2007, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2008, on our consideration of City of Negaunee, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 48 through 58, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Negaunee, Michigan's basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

June 18, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the City of Negaunee's financial performance provides an overview of the City's financial activities for the year ended December 31, 2007. Please read it in conjunction with the financial statements, which begin on page 13.

FINANCIAL HIGHLIGHTS

- Net assets for the City as a whole increased by \$576,033 as a result of this year's operations. Net assets of our business-type activities decreased by \$362,741, or 3 percent, and net assets of our governmental activities increased by \$938,774, or 26 percent.
- During the year, the City had expenses for governmental activities that were \$4,545,686 and generated \$5,484,460 in general revenues and other program sources.
- The City's business-type activities had expenses of \$5,551,847 and generated \$5,279,304 in revenues.
- The general fund reported a net change in fund balance of \$128,215.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 13 and 14) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 15. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Reporting the City as a Whole

Our analysis of the City as a whole begins on page 8. One of the most important questions asked about the City's finances is "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets - the difference between assets and liabilities - as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's patron base and the condition of the City's capital assets, to assess the *overall financial health* of the City.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

In the Statement of Net Assets and the Statement of Activities, we divide the City into three kinds of activities:

- *Governmental activities* – Most of the City's basic services are reported here, including the police, fire, public works and parks departments, and general administration. Property taxes, charges for services and state sources fund most of these activities.
- *Business-type activities* – The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer, electric, water and cable systems and activities are reported here.
- *Component Units* – The City includes one separate legal entity in its report – The Negaunee Housing Commission. Although legally separate, this component unit is included because the City is financially accountable for it.

Reporting the City's Most Significant Funds

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information on the most significant funds – not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using taxes, grants, and other money. The City's two kinds of funds - *governmental* and *proprietary* - use different accounting approaches.

- *Governmental funds* – Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the City charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds

The City as Trustee

The City is the trustee, or fiduciary, for assets that – because of a trust arrangement – can be used only for the trust beneficiaries. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 22 and 23. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

The City as a Whole

Table 1 provides a summary of the City's net assets as of December 31, 2007 and 2006.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$2,913,720	\$2,782,471	\$5,299,595	\$6,083,501	\$8,213,315	\$8,865,972
Non-current assets	-	-	780,639	784,392	780,639	784,392
Capital assets, net	3,607,713	2,715,824	13,639,171	13,414,176	17,246,884	16,130,000
Total Assets	6,521,433	5,498,295	19,719,405	20,282,069	26,240,838	25,780,364
Current liabilities	1,692,248	1,669,440	739,366	729,565	2,431,614	2,399,005
Non-current liabilities	264,670	203,114	5,284,791	5,494,515	5,549,461	5,697,629
Total Liabilities	1,956,918	1,872,554	6,024,157	6,224,080	7,981,075	8,096,634
Net Assets:						
Invested in capital assets, net of related debt	3,418,368	2,611,427	8,907,923	8,792,175	12,326,291	11,403,602
Restricted	104,928	98,170	226,000	226,000	330,928	324,170
Unrestricted	1,041,219	916,144	4,561,325	5,039,814	5,602,544	5,955,958
Total Net Assets	\$4,564,515	\$3,625,741	\$13,695,248	\$14,057,989	\$18,259,763	\$17,683,730

Net assets of the City's governmental activities stood at \$4,564,515. *Unrestricted* net assets—the part of net assets that could be used to finance day-to-day activities without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$1,041,219.

The \$1,041,219 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The net assets of our business-type activities stood at \$13,695,248. The City can generally only use these net assets to finance continuing operations of the water and sewer and other enterprise operations.

The results of this year's operations for the City as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2007 and 2006.

Table 2
Change in Net Assets

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues:						
Charges for services	\$1,047,519	\$1,031,918	\$4,959,633	\$3,976,915	\$6,007,152	\$5,008,833
Operating grants and contributions	1,284,015	2,926,870	-	-	1,284,015	2,926,870
Capital grants and contributions	489,466	-	414,453	2,122,967	903,919	2,122,967
General revenues:						
Property taxes	1,424,985	1,437,303	-	-	1,424,985	1,437,303
Unrestricted intergovernmental sources	565,770	609,270	-	-	565,770	609,270
General revenues:						
Investment earnings	82,629	73,947	264,423	188,079	347,052	262,026
Miscellaneous	137,137	82,094	3,536	15,194	140,673	97,288
Total Revenues	5,031,521	6,161,402	5,642,045	6,303,155	10,673,566	12,464,557

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Table 2 (Continued)
Change in Net Assets

Program Expenses:						
General Government	\$1,751,283	\$3,395,457	\$-	\$-	\$1,751,283	\$3,395,457
Public health and safety	765,911	733,029	-	-	765,911	733,029
Public works	1,580,824	1,916,654	-	-	1,580,824	1,916,654
Parks and recreation	199,820	182,668	-	-	199,820	182,668
Cemetery	102,297	94,405	-	-	102,297	94,405
Library	105,932	130,967	-	-	105,932	130,967
Interest on long-term debt	4,989	5,832	-	-	4,989	5,832
Depreciation – unallocated	34,630	34,630	-	-	34,630	34,630
Sewer	-	-	1,414,435	1,061,310	1,414,435	1,061,310
Electric	-	-	2,715,293	1,783,758	2,715,293	1,783,758
Water	-	-	983,390	808,699	983,390	808,699
Cable	-	-	483,729	435,335	483,729	435,335
Total Expenses	4,545,686	6,493,642	5,551,847	4,089,102	10,097,533	10,582,744
Excess (deficiency) before transfers	485,835	(332,240)	90,198	2,214,053	576,033	1,881,813
Transfers	452,939	430,000	(452,939)	(430,000)	-	-
Increase (decrease) in net assets	938,774	97,760	(362,741)	1,784,053	576,033	1,881,813
Net assets, beginning	3,625,741	3,527,981	14,057,989	12,273,936	17,683,730	15,801,917
Net Assets, Ending	\$4,564,515	\$3,625,741	\$13,695,248	\$14,057,989	\$18,259,763	\$17,683,730

The City's total revenues were \$10,673,566. The total cost of all programs and services was \$10,097,533, leaving an increase in net assets of \$576,033. Our analysis below separately considers the operations of governmental and business-type activities:

Governmental Activities

The net assets of the governmental activities increased by \$938,774. The net incline is due mainly to controls on expenditures and aggressive grantsmanship.

A structural imbalance of revenues from traditional sources such as state shared revenues and the property tax has been created from legislative action and initiatives. Purchases of commodities such as gasoline, natural gas, health insurance, and utility pipe have increased at rates faster than revenues. Adjustments will be required to set fees and services in alignment.

Table 3 presents the cost of each of the three largest programs – General Government, Public Works and Public Health and Safety, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each program placed on the City's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
General government	\$ 1,751,281	(\$ 1,276,809)
Public works	1,508,824	494,937
Public health and safety	765,911	(748,467)

Business-type Activities

The net assets of the business-type activities decreased \$362,741. The net decrease is a result of capital contributions in the Sewer Fund related to the Sewage Disposal System Improvement Project.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on page 15) reported a *combined* fund balance of \$1,259,017, an increase of \$127,891 from the beginning of the year.

The total increase of \$127,891 consists primarily of an increase in the General Fund of \$128,215, an increase in the Major Street Fund of \$4,369 combined with a net decrease in other governmental funds of \$4,693.

General Fund Budgetary Highlights

Over the course of the year, the City Council revised the budget a few times. With these adjustments, actual charges to expenditures were \$142,305 less than the final amended budget. Also, revenues were \$25,906 less than the final budget projection.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2007, the City had \$16,757,418 invested in a variety of capital assets including land, buildings, and other equipment. (See table 4 below)

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities – 2007	Business-type Activities – 2007	Totals – 2007
Land	\$1,079,853	\$40,000	\$1,119,853
Construction in progress	-	3,571,150	3,571,150
Buildings and improvements	879,301	9,143,926	10,023,227
Equipment and furnishings	378,624	884,095	1,262,719
Infrastructure	1,269,935	-	1,269,935
Totals	<u>\$3,607,713</u>	<u>\$13,639,171</u>	<u>\$17,246,884</u>

In 2007, the City's major capital additions included reconstruction of Croix Street, consolidation of City Hall operations, ice arena doors, various sanitary sewer improvements, equipment and vehicle replacements, and electric and water meter replacements from manual read to radio read (approximately 2,300 electric meters and 1,700 water/sewer meters).

In 2008, the City plans to replace computers and install a GPS/GIS system to improve City Hall/Library facilities, make needed cemetery repairs, provide for fire hall exterior repairs, replace and purchase vehicles and equipment including: utility vehicle, speed monitoring trailer, skid foam unit, skidster loader, backhoe, air compressor, and trench compactor, replace DPW garage heaters and louvers with more efficient units, parks and ice arena maintenance, resurface more than two miles of streets, replace water main on Main Street, replace lighting on Main Street, perform sanitary sewer maintenance including manhole replacements and cover replacements, amongst other projects.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

Debt

At year-end, the City had \$5,996,432 in bonds, notes and capital lease obligations outstanding as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2007	Business-type Activities – 2007	Total- 2007
Bonds	\$45,432	\$4,501,000	\$4,546,432
Contracts and notes payable	143,914	1,306,086	1,450,000
Totals	\$189,346	\$5,807,086	\$5,996,432

Further details on long-term debt can be found in Note G.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The City's elected and appointed officials considered many factors when setting the fiscal year 2008 budget.

Communities throughout Michigan are struggling to find ways seeking to provide appropriate services to residents, businesses, and visitors. The City of Negaunee is like most communities which have experienced transitional difficulties as traditional sources of revenues from local property taxes and State shared revenues from the income tax, sales tax, and motor fuel tax have not kept pace with cost increases.

While the City is addressing this issue by reducing staff, improving efficiencies, deferring some capital spending, reallocating costs and in some cases reducing services, many residents in the community are experiencing the same challenges with their personal finances. They have experienced small wage increases while seeing large increases in the cost of insurance, gasoline, natural gas, telecommunication services, and food prices. No early reversal of these trends appears likely.

For the City, continued attention to reducing costs, increasing efficiency, sharing services, and considering new ways to provide services must occur. Careful examinations seeking to eliminate noncritical services will be ongoing. Deferring expenditures for capital maintenance and investment has been reversed since 2006. Much creative work is needed to seek out and explore more efficient and effective materials, methods, equipment, and to improve discussions, and communications with the public and elected officials to meet the challenges of the early 21st century and our new era of globalism. The outlook for Michigan's financial future does not appear promising; the legislature in Lansing has not found common ground to reverse Michigan's financial instability.

One area to explore for achieving better cost efficiency is through cooperation and sharing of resources with other governmental and not for profit agencies. Manpower, equipment, facilities, and know how needs to transcend traditional service boundaries if governments are to think first and foremost about the best interests of their residents. The Cities of Ishpeming and Negaunee began to explore areas of cooperative development potential and other shared interests including: a district library, joint operation and development of park property north of Teal Lake, share of wastewater facilities, and joint purchase of specialized equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

These changes while necessary will not come easily. Employees will need to feel appreciated and not threatened by new ideas and alternative ways to provide services. They will need to be included when considering how to best provide services to the public. Public leaders will be required to understand complex issues. The public will increasingly demand accountability and efficiency in governmental appropriations.

Communicating the issues and challenges inherent in providing quality municipal services in ways which are meaningful and understandable to all residents has increasingly become important to develop the support necessary to implement difficult choices, which are required to be made. Outreach and understanding to employees, and residents can help to ease the difficult choices which lie ahead. The City has renewed efforts to communicate with residents through the use of surveys, the Old Town Ad Hoc committee, and a community newsletter.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Manager at City of Negaunee, P.O. Box 70, Negaunee, Michigan, 49866.

City of Negaunee, Michigan
STATEMENT OF NET ASSETS
December 31, 2007

	Primary Government		
	Governmental Activities	Business Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 1,193,865	\$ 1,968,674	\$ 3,162,539
Restricted assets - cash	-	2,760,588	2,760,588
Investments	-	-	-
Receivables (net)	1,719,855	570,333	2,290,188
Other current assets	-	-	-
TOTAL CURRENT ASSETS	2,913,720	5,299,595	8,213,315
Noncurrent assets:			
Unamortized bond issue costs	-	71,292	71,292
Investment in U.P.P.A. Electric Utility	-	165,472	165,472
Investment in Joint Water Authority	-	543,875	543,875
Capital assets:			
Land and construction in progress	1,079,853	3,611,150	4,691,003
Other capital assets	10,469,787	19,961,365	30,431,152
Accumulated depreciation	(7,941,927)	(9,933,344)	(17,875,271)
Total Capital Assets	3,607,713	13,639,171	17,246,884
TOTAL NONCURRENT ASSETS	3,607,713	14,419,810	18,027,523
TOTAL ASSETS	6,521,433	19,719,405	26,240,838
LIABILITIES:			
Current Liabilities:			
Accounts payable	182,141	129,338	311,479
Accrued liabilities	35,435	47,900	83,335
Compensated absences	-	36,791	36,791
Deferred revenue	1,437,127	-	1,437,127
Current portion of bonds payable	12,706	122,000	134,706
Current portion of notes payable	24,839	174,275	199,114
Other current liabilities	-	229,062	229,062
TOTAL CURRENT LIABILITIES	1,692,248	739,366	2,431,614
Noncurrent Liabilities:			
Compensated absences	112,869	-	112,869
Bonds payable	32,726	4,379,000	4,411,726
Long-term contracts and notes payable	119,075	1,131,811	1,250,886
Less deferred discount on refunding	-	(226,020)	(226,020)
TOTAL NONCURRENT LIABILITIES	264,670	5,284,791	5,549,461
TOTAL LIABILITIES	1,956,918	6,024,157	7,981,075
NET ASSETS			
Invested in capital assets net of related debt	3,418,368	8,907,923	12,326,291
Restricted for:			
Debt Service	-	226,000	226,000
Other activities	104,928	-	104,928
Unrestricted	1,041,219	4,561,325	5,602,544
TOTAL NET ASSETS	\$ 4,564,515	\$ 13,695,248	\$ 18,259,763

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

Function / Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Primary Government:								
Governmental Activities:								
General government	\$ 1,751,283	\$ 20,938	\$ 453,536	\$ -	\$ (1,276,809)	\$ -	\$ (1,276,809)	\$ -
Public health and safety	765,911	13,047	4,397	-	(748,467)	-	(748,467)	-
Public works	1,580,824	803,247	783,048	489,466	494,937	-	494,937	-
Parks and recreation	199,820	160,887	-	-	(38,933)	-	(38,933)	-
Cemetery	102,297	49,400	-	-	(52,897)	-	(52,897)	-
Library	105,932	-	43,034	-	(62,898)	-	(62,898)	-
Interest on long-term debt	4,989	-	-	-	(4,989)	-	(4,989)	-
Depreciation - unallocated	34,630	-	-	-	(34,630)	-	(34,630)	-
Total Governmental Activities	4,545,686	1,047,519	1,284,015	489,466	(1,724,686)	-	(1,724,686)	-
Business Type Activities:								
Sewer	1,414,435	999,759	-	414,453	-	(223)	(223)	-
Electric	2,715,293	2,807,073	-	-	-	91,780	91,780	-
Water	938,390	741,375	-	-	-	(197,015)	(197,015)	-
Cable	483,729	411,426	-	-	-	(72,303)	(72,303)	-
Total Business Type Activities	5,551,847	4,959,633	-	414,453	-	(177,761)	(177,761)	-
TOTAL PRIMARY GOVERNMENT	\$ 10,097,533	\$ 6,007,152	\$ 1,284,015	\$ 903,919	(1,724,686)	(177,761)	(1,902,447)	-
COMPONENT UNIT:								
Negaunee Housing Commission	\$ 448,187	\$ 257,372	\$ 93,947	\$ 28,315	-	-	-	(68,553)
General Revenues:								
Property taxes					1,424,985	-	1,424,985	-
Unrestricted intergovernmental sources					565,770	-	565,770	-
Interest and investment earnings					82,629	264,423	347,052	24,827
Miscellaneous					137,137	3,536	140,673	6,761
Transfers					452,939	(452,939)	-	-
TOTAL GENERAL REVENUES, TRANSFERS					2,663,460	(184,980)	2,478,480	31,588
CHANGE IN NET ASSETS					938,774	(362,741)	576,033	(36,965)
Net assets, beginning of year					3,625,741	14,057,989	17,683,730	1,855,672
NET ASSETS, END OF YEAR					\$ 4,564,515	\$ 13,695,248	\$ 18,259,763	\$ 1,818,707

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
GOVERNMENTAL FUNDS
Balance Sheet
December 31, 2007

	General Fund	Major Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 949,307	\$ -	\$ 13,239	\$ 260,633	\$ 1,223,179
Accounts receivable, net	125,697	-	-	531	126,228
Taxes receivable	1,182,753	-	-	-	1,182,753
Due from other governments	202,143	43,181	22,661	16,366	284,351
Due from other funds	141,851	-	-	-	141,851
Other assets	-	-	-	-	-
TOTAL ASSETS	\$ 2,601,751	\$ 43,181	\$ 35,900	\$ 277,530	\$ 2,958,362
LIABILITIES AND FUND BALANCE					
LIABILITIES:					
Cash overdraft	\$ -	\$ 29,314	\$ -	\$ -	\$ 29,314
Accounts payable	105,607	7,149	35,900	5,322	153,978
Accrued salaries	46,773	2,349	-	1,745	50,867
Accrued sick and vacation leave	(15,432)	-	-	-	(15,432)
Due to other funds	28,163	-	-	15,328	43,491
Deferred revenue	1,437,127	-	-	-	1,437,127
TOTAL LIABILITIES	1,602,238	38,812	35,900	22,395	1,699,345
FUND BALANCE:					
Reserved for:					
Capital outlay	-	-	-	-	-
Other	-	-	-	104,928	104,928
Unreserved, reported in:					
General Fund - Designated	112,867	-	-	-	112,867
General Fund - Undesignated	886,646	-	-	-	886,646
Special Revenue Funds - Designated	-	-	-	5,000	5,000
Special Revenue Funds - Undesignated	-	4,369	-	145,207	149,576
TOTAL FUND BALANCE	999,513	4,369	-	255,135	1,259,017
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,601,751	\$ 43,181	\$ 35,900	\$ 277,530	\$ 2,958,362

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
December 31, 2007

Total Fund Balances for Governmental Funds	\$ 1,259,017
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*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	3,607,713
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Long-term liabilities, including bonds payable, are not due and payable
in the current period and therefore are not reported in the funds.

Current portion of bonds payable	\$ 12,706	
Current portion of notes and contracts payable	24,839	
Compensated absences	112,869	
Bonds payable	32,726	
Long-term contracts and notes payable	<u>119,075</u>	
		(302,215)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 4,564,515</u></u>
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The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2007

	General Fund	Major Street Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Federal sources	\$ 956	\$ 391,471	\$ 395,651	\$ -	\$ 788,078
State sources	589,763	561,283	-	261,385	1,412,431
Property taxes	1,424,985	-	-	-	1,424,985
Licenses and permits	270	-	-	-	270
Service charges	450,335	-	-	-	450,335
Contributions	545,193	-	-	14,477	559,670
Investment income	77,088	-	-	7,491	84,579
Other revenues	261,140	-	-	50,033	311,173
TOTAL REVENUES	3,349,730	952,754	395,651	333,386	5,031,521
EXPENDITURES:					
Current operations:					
Public affairs	261,874	-	-	-	261,874
Accounting and finance	68,488	-	-	-	68,488
Public health and safety	691,255	-	-	-	691,255
Public works	967,920	1,142,297	-	374,421	2,484,638
Parks and recreation	197,834	-	-	-	197,834
Cemetery	95,401	-	-	-	95,401
Library	56,672	-	-	49,260	105,932
Other governmental	760,993	-	-	155,939	916,932
Debt service					
Principal retirement	43,095	-	-	-	43,095
Interest and fiscal charges	4,989	-	-	-	4,989
Capital outlay	77,241	-	408,890	-	486,131
TOTAL EXPENDITURES	3,225,762	1,142,297	408,890	579,620	5,356,569
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	123,968	(189,543)	(13,239)	(246,234)	(325,048)
OTHER FINANCING SOURCES (USES):					
Proceeds from borrowing	-	-	-	-	-
Transfers in	339,900	200,000	13,239	241,741	794,880
Transfers out	(335,653)	(6,088)	-	(200)	(341,941)
TOTAL OTHER FINANCING SOURCES (USES)	4,247	193,912	13,239	241,541	452,939
CHANGE IN FUND BALANCE	128,215	4,369	-	(4,693)	127,891
Fund balance, beginning of year	871,298	-	-	259,828	1,131,126
FUND BALANCE, END OF YEAR	\$ 999,513	\$ 4,369	\$ -	\$ 255,135	\$ 1,259,017

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2007

Net Change in Fund Balances - Total Governmental Funds **\$ 127,891**

*Amounts reported for governmental activities in the statement
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlays	\$	1,063,375	
Capital lease	\$	(128,044)	
Depreciation expense		(171,486)	
			763,845

The net effect of various transactions involving capital assets (disposal of minor capital assets and sales) is to decrease net assets. -

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 43,095

Proceeds on borrowing are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. -

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 3,943

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	938,774
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City of Negaunee, Michigan
PROPRIETARY FUNDS
Statement of Net Assets
December 31, 2007

Business- Type Activities:
Enterprise Funds

	Sewer Fund	Electric Fund	Water Fund	Cable Fund	Total
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 441,736	\$ 1,188,622	\$ 268,446	\$ 69,870	\$ 1,968,674
Restricted assets - cash	2,453,129	33,159	224,300	50,000	2,760,588
Accounts receivable	141,467	339,602	63,645	40,902	585,616
Allowance for uncollectible accounts	(3,300)	(9,700)	(4,300)	(1,300)	(18,600)
Special assessment receivable	1,031	1,492	794	-	3,317
Due from other funds	-	-	-	-	-
Unamortized bond issuance costs	71,292	-	-	-	71,292
TOTAL CURRENT ASSETS	3,105,355	1,553,175	552,885	159,472	5,370,887
Noncurrent Assets:					
Investment in U.P.P.A. Electric Utility	-	165,472	-	-	165,472
Investment in Joint Water Authority	-	-	543,875	-	543,875
Construction in progress	3,571,150	-	-	-	3,571,150
Land	40,000	-	-	-	40,000
Property, plant and equipment	8,524,152	1,790,707	9,049,837	596,669	19,961,365
Accumulated depreciation	(5,739,633)	(1,194,839)	(2,476,107)	(522,765)	(9,933,344)
TOTAL NONCURRENT ASSETS	6,395,669	761,340	7,117,605	73,904	14,348,518
TOTAL ASSETS	9,501,024	2,314,515	7,670,490	233,376	19,719,405
LIABILITIES					
Current Liabilities:					
Accounts payable	37,903	51,428	17,954	22,053	129,338
Accrued liabilities	-	-	31,661	-	31,661
Accrued salaries	7,046	5,301	2,080	1,812	16,239
Accrued sick and vacation leave	18,585	16,135	762	1,309	36,791
Customer deposits payable	-	229,062	-	-	229,062
Current portion of long-term debt	90,000	-	206,275	-	296,275
TOTAL CURRENT LIABILITIES	153,534	301,926	258,732	25,174	739,366
Noncurrent Liabilities:					
Deferred amounts on refunding	(150,551)	-	(75,469)	-	(226,020)
Revenue bonds payable	2,435,000	-	1,944,000	-	4,379,000
Notes and contracts payable	-	27,986	1,075,838	27,987	1,131,811
TOTAL NONCURRENT LIABILITIES	2,284,449	27,986	2,944,369	27,987	5,284,791
TOTAL LIABILITIES	2,437,983	329,912	3,203,101	53,161	6,024,157
NET ASSETS					
Invested in capital assets net of related debt	3,870,669	567,882	4,423,455	45,917	8,907,923
Net Assets:					
Restricted for debt service	226,000	-	-	-	226,000
Unrestricted	2,966,372	1,416,721	43,934	134,298	4,561,325
TOTAL NET ASSETS	\$ 7,063,041	\$ 1,984,603	\$ 4,467,389	\$ 180,215	\$ 13,695,248

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
PROPRIETARY FUNDS
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended December 31, 2007

	Business- Type Activities:				
	Enterprise Funds				
	Sewer Fund	Electric Fund	Water Fund	Cable Fund	Total
OPERATING REVENUES:					
Charges for services	\$ 866,858	\$ 2,775,975	\$ 737,634	\$ 404,543	\$ 4,785,010
Other operating revenue	132,901	31,098	3,741	6,883	174,623
TOTAL OPERATING REVENUES	999,759	2,807,073	741,375	411,426	4,959,633
OPERATING EXPENSES:					
Power and pumping	-	-	776	-	776
Transmission and distribution	-	340,663	132,835	100,901	574,399
Customer accounting and collection	35,737	45,363	33,288	36,791	151,179
Administrative and general	270,866	150,090	285,957	84,367	791,280
Sewage, sanitary and storm sewers	366,842	-	-	-	366,842
Wastewater treatment plant	401,799	-	-	-	401,799
Services purchased	-	2,114,760	-	252,024	2,366,784
Water meters	-	-	89,807	-	89,807
Provision for depreciation	204,732	56,736	239,559	9,646	510,673
TOTAL OPERATING EXPENSES	1,279,976	2,707,612	782,222	483,729	5,253,539
OPERATING INCOME (LOSS)	(280,217)	99,461	(40,847)	(72,303)	(293,906)
NONOPERATING REVENUES (EXPENSES):					
Investment income	138,839	94,892	23,824	6,868	264,423
Penalties on delinquent accounts	(1,734)	8,553	(4,572)	1,289	3,536
Interest expense on bonds	(134,459)	-	(156,168)	-	(290,627)
Interest and tax expense	-	(7,681)	-	-	(7,681)
TOTAL NONOPERATING REVENUES (EXPENSES)	2,646	95,764	(136,916)	8,157	(30,349)
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(277,571)	195,225	(177,763)	(64,146)	(324,255)
Capital contributions	414,453	-	-	-	414,453
Transfers in	-	200	-	-	200
Transfers (out)	(13,239)	(439,900)	-	-	(453,139)
CHANGE IN NET ASSETS	123,643	(244,475)	(177,763)	(64,146)	(362,741)
Net assets, beginning of year	6,939,398	2,229,078	4,645,152	244,361	14,057,989
NET ASSETS, END OF YEAR	\$ 7,063,041	\$ 1,984,603	\$ 4,467,389	\$ 180,215	\$ 13,695,248

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
PROPRIETARY FUNDS
Statement of Cash Flows
For the Year Ended December 31, 2007

Business-Type Activities:
Enterprise Funds

	Sewer Fund	Electric Fund	Water Fund	Cable Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net cash received from fees and charges for services	\$ 808,061	\$ 2,623,157	\$ 748,088	\$ 400,110	\$ 4,579,416
Other operating revenues	132,901	31,098	3,741	6,883	174,623
Cash payments to employees for services	(280,414)	(250,625)	(115,049)	(79,134)	(725,222)
Cash payments for payroll taxes	(21,440)	(19,170)	(8,685)	(6,052)	(55,347)
Cash payments to suppliers for goods and services	(750,924)	(2,360,153)	(423,421)	(363,963)	(3,898,461)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(111,816)</u>	<u>24,307</u>	<u>204,674</u>	<u>(42,156)</u>	<u>75,009</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Payments (to) from other funds	(13,239)	(439,700)	-	-	(452,939)
Increase in due to other funds	-	-	-	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(13,239)</u>	<u>(439,700)</u>	<u>-</u>	<u>-</u>	<u>(452,939)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition and construction of capital assets	(440,497)	(239,345)	(15,839)	(39,988)	(735,669)
Capital contributions received	414,453	-	-	-	414,453
Principal payment on long-term bonds	(90,000)	-	(200,541)	-	(290,541)
Interest paid on long-term bonds	(112,707)	-	(143,589)	-	(256,296)
Interest and tax expense	-	(7,681)	-	-	(7,681)
Penalties on delinquent accounts	(1,734)	8,553	(4,572)	1,289	3,536
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(230,485)</u>	<u>(238,473)</u>	<u>(364,541)</u>	<u>(38,699)</u>	<u>(872,198)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	138,839	94,892	23,824	6,868	264,423
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>138,839</u>	<u>94,892</u>	<u>23,824</u>	<u>6,868</u>	<u>264,423</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(216,701)</u>	<u>(558,974)</u>	<u>(136,043)</u>	<u>(73,987)</u>	<u>(985,705)</u>
Cash and cash equivalents, beginning of year	3,111,566	1,780,755	628,789	193,857	5,714,967
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,894,865</u>	<u>\$ 1,221,781</u>	<u>\$ 492,746</u>	<u>\$ 119,870</u>	<u>\$ 4,729,262</u>
Reconciliation to Statement of Net Assets:					
Cash and cash equivalents	\$ 441,736	\$ 1,188,622	\$ 268,446	\$ 69,870	\$ 1,968,674
Restricted assets - cash	2,453,129	33,159	224,300	50,000	2,760,588
Total Cash and Cash Equivalents per Statement of Net Assets	<u>\$ 2,894,865</u>	<u>\$ 1,221,781</u>	<u>\$ 492,746</u>	<u>\$ 119,870</u>	<u>\$ 4,729,262</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	\$ (280,217)	\$ 99,461	\$ (40,847)	\$ (72,303)	\$ (293,906)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	204,732	56,736	239,559	9,646	510,673
Change in assets and liabilities:					
(Increase) decrease in accounts receivable, net	(58,373)	(148,840)	10,716	(4,433)	(200,930)
(Increase) decrease in special assessments receivable	(424)	(182)	(262)	-	(868)
Increase (decrease) in accounts payable	24,431	3,246	1,957	(3,650)	25,984
Increase (decrease) in payroll liabilities	(1,965)	(10,304)	(6,449)	597	(18,121)
Increase (decrease) in notes payable	-	27,986	-	27,987	
Increase (decrease) in customer deposits payable	-	(3,796)	-	-	(3,796)
NET ADJUSTMENTS	<u>168,401</u>	<u>(75,154)</u>	<u>245,521</u>	<u>30,147</u>	<u>368,915</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (111,816)</u>	<u>\$ 24,307</u>	<u>\$ 204,674</u>	<u>\$ (42,156)</u>	<u>\$ 75,009</u>

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
FIDUCIARY FUNDS
Statement of Fiduciary Net Assets
December 31, 2007

	Police Pension Trust Fund	Agency Fund
ASSETS		
Cash and equivalents	\$ 165,043	\$ 144,543
Investments	2,136,093	-
Accounts receivable	4,647	-
Due from other funds	28,163	-
	<hr/>	<hr/>
TOTAL ASSETS	2,333,946	<u><u>\$ 144,543</u></u>
LIABILITIES		
Due to other funds	-	\$ 126,523
Due to other governmental units	-	18,020
	<hr/>	<hr/>
TOTAL LIABILITIES	-	<u><u>\$ 144,543</u></u>
NET ASSETS		
Held in trust for pension benefits	<u>2,333,946</u>	
	<hr/>	
TOTAL NET ASSETS	<u><u>\$ 2,333,946</u></u>	

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
FIDUCIARY FUNDS
Statement in Changes in Fiduciary Net Assets
For the Year Ended December 31, 2007

	<u>Police Pension Trust Fund</u>
ADDITIONS:	
Contributions:	
Employer	\$ 102,105
Employee	16,849
Total Contributions	<u>118,954</u>
Investment Income:	
Net appreciation (depreciation) in fair value of investments	82,900
Interest and dividends	<u>59,916</u>
Net Investment Income (Loss)	<u>142,816</u>
TOTAL ADDITIONS	<u>261,770</u>
DEDUCTIONS:	
Benefits and annuity withdrawals	142,236
Refunds of contributions	-
Administrative expense	<u>22,438</u>
TOTAL DEDUCTIONS	<u>164,674</u>
CHANGE IN NET ASSETS	97,096
Net assets, beginning of year	<u>2,236,850</u>
NET ASSETS, END OF YEAR	<u><u>\$ 2,333,946</u></u>

The accompanying notes are an integral part of these financial statements.

City of Negaunee, Michigan
Notes to Financial Statements
December 31, 2007

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the City of Negaunee conform to accounting principles generally accepted in the United States of America applicable to local governmental units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The following is a summary of the more significant policies.

REPORTING ENTITY

The City adopted a charter in accordance with the laws of the State of Michigan in 1950 and operates under a Council-Manager form of municipal government. As required by generally accepted accounting principles, these financial statements present the City of Negaunee (the primary government). Certain other governmental organizations are considered to be part of the City entity for financial reporting purposes. The criteria established for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, the financial statements of the Negaunee Housing Commission are included as a discretely presented component unit of the City and the Negaunee Public Schools are not included in the financial statements of the City. A complete financial statement of the component unit can be obtained directly from the Negaunee Housing Commission, 98 Croix Street, Negaunee, MI 49866.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, public works, culture and recreation and general administrative services are classified as governmental activities. The City's sewer, electric, water and cable services are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions and business-type activities. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities. For the most part, the effect of interfund activities has been removed from these statements.

Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements. The City uses the following fund types:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

General Fund - The General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Permanent Funds – Permanent Funds are used to account for assets held by the City pursuant to a trust agreement. The principle portion of this fund type must remain intact, but the earnings may be used to achieve the objectives of the fund.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position and cash flows. The generally accepted accounting principles applicable are those similar to business in the private sector. The following is a description of the proprietary funds of the City:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Fiduciary Funds:

Fiduciary funds are used to report the assets held by the City in a trustee capacity or as an agent others and therefore are not available to support the City's programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

Major Funds:

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Major Street Fund** accounts for the receipt of allocated state shared gas and weight tax. The expenditure of these funds is restricted to Federal and State trucklines and certain "mile" roads designated as major under contractual agreement with the State of Michigan.

The **Capital Projects Fund** accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type funds).

The City reports the following major proprietary funds:

The **Sewer Fund** accounts for the activities related to sanitary sewer operation and booster stations and billing for services.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The **Electric Fund** accounts for the activities related to electric transmission and distribution and billing for services.

The **Water Fund** accounts for the activities related to water treatment and distribution and billing for services.

The **Cable Fund** accounts for the activities related to operating the City Cable System and billing for services.

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

BASIS OF ACCOUNTING

The basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred. Unbilled water, sewer, and electric services are accrued as revenue in the Water, Sewer and Electric Funds based upon estimated consumption at year-end.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period. "Available" means collectible within the current period or within 60 days of the end of the current fiscal period. Significant revenues susceptible to accrual include payments in lieu of taxes, state and federal sources, and intergovernmental revenues. Other revenue sources such as licenses, permits, charges for services, sales, fees, fines, rentals, and other are recorded as revenues when received in cash because they are generally not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

exceptions such as interest on long-term debt, compensated absences and claims and judgments which are generally recognized when payment is due.

FINANCIAL STATEMENT AMOUNTS

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. In September, the City Manager submits to the City Council a proposed operating budget for the ensuing fiscal year commencing January 1 in accordance with the City Charter. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to its adoption, a public hearing is conducted to obtain taxpayer comments.
3. The final budget shall be adopted by resolution passed by the affirmative votes of at least a majority of the Council present at the regular meeting in November.
4. Formal budgetary integration is employed as a management control device for the general fund and all special revenue funds. The budgets for the capital projects and enterprise funds are informational summaries only and are not covered under the City's General Appropriations Act or the State's Public Act 621.
5. The City Council has the authority to amend the budget when it becomes apparent that deviations in the original budget will occur and the amount of the deviation can be determined. Once originally adopted, the budget was formally amended during the fiscal year.
6. The legally adopted budgets and informational budget summaries for the funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) as applicable to each funds method of accounting.

Cash and Cash Equivalents

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements.

For the purpose of the cash flow statements, the City considers all highly liquid investments with a maturity of three months or less and all certificates of deposit to be cash equivalents.

Inventory

Inventory costs are recorded as expenditures when incurred.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Interfund Activity

During the course of its operations, the City has numerous transactions between funds to finance operations, to provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded and are subject to elimination upon consolidation.

Capital Assets

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Assets acquired by gift or bequest are recorded at their estimated fair value on the date of transfer.

Depreciation of all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary fund financial statements. Accumulated depreciation is reported on government-wide and proprietary fund statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	40-50 years
Equipment and machinery	5-20 years
Utility plant and system	16-40 years
Infrastructure	20-50 years

GASB No. 34 requires the City to report and depreciate new infrastructure assets placed in service after January 1, 2004. Infrastructure assets include roads, bridges and traffic signals, etc. Neither their historical cost nor related depreciation has historically been reported in the financial statements. The retroactive reporting of infrastructure is optional for the City under GASB No. 34 and the City has elected not to retroactively report infrastructure assets prior to January 1, 2004.

Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using straight line amortization. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources and bond discounts are reported as other financing uses. Issuance costs whether or not withheld from the actual debt received, are reported as debt service.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Property Taxes

Property taxes are levied on December 1 based on the taxable value of property and collected by the City. Uncollected taxes are turned over for collection to Marquette County.

Property taxes levied are not recognized as revenue until the following year when they are considered "available" for use to finance current expenditures.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City of Negaunee because it is at present considered not necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Compensated Absences

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and affect the disclosure of contingent assets and liabilities at the date of financial statements. These estimates and assumptions also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – RESTRICTED ASSETS:

The Enterprise Funds have restricted assets in the amount of \$2,760,588 to retire outstanding debt and to provide for unforeseen emergencies. The total is comprised of \$2,453,129 in the Sewer Utility Fund for general purpose and bond reserve retirement accounts; \$33,159 for an emergency fund and capital acquisitions in the Electric Utility Fund; \$50,000 for an emergency fund in the Cable Utility Fund; and \$224,300 in the Water Utility Fund for the purposes stated below.

Water Utility Fund Restricted

Cash:

Bond Payment Fund	\$50,000
Bond Reserve Account	121,500
Capital Improvement Fund	52,800
	<hr/>
	\$224,300

NOTE C – DEPOSITS AND INVESTMENTS:

The composition of cash and equivalents reported on the statement of net assets are as follows:

	Primary Government	Fiduciary Funds	Reporting Entity
Cash and equivalents	\$3,162,539	\$309,586	\$3,472,125
Cash-restricted	2,760,588	-	2,760,588
TOTALS	<u>\$5,923,127</u>	<u>\$309,586</u>	<u>\$6,232,713</u>
A summary of deposits by type are:			
Cash in demand accounts	\$21,409	\$-	\$21,409
Cash in savings accounts	5,901,043	309,586	6,210,629
Petty cash	675	-	675
TOTAL DEPOSITS	<u>\$5,923,127</u>	<u>\$309,586</u>	<u>\$6,232,713</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State law does not require and the City does not have a deposit policy for custodial credit risk. The carrying amounts of the City's deposits with financial institutions was \$6,232,713 and the bank balance was \$6,167,441. Of the bank balance, \$660,407 or approximately 11% was covered by federal depository insurance according to FDIC regulations.

Investments

As of December 31, 2007 the City had the following investments:

Investment Type	Fair Value	Investment Maturities	
		Less than 1 year	5-10 years
Fiduciary Pension Trust Fund:			
Bond mutual funds	\$737,020	\$737,020	\$-
Equity mutual funds	1,399,073	1,399,073	-
Totals	<u>\$2,136,093</u>	<u>\$2,136,093</u>	<u>\$-</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City's investments. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes (Act 196, PA 1997) authorize the City to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment

NOTE C – DEPOSITS AND INVESTMENTS (Continued):

pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

Michigan statutes (Act 314, PA 1965, as amended) authorizes the pension trust to invest in stocks and mutual funds up to 60% of the system's assets, investments in the general or separate account of life insurance companies, fixed income securities, investments in leased real property, direct investments in property, investments in real estate loans, investments in small business or venture capital firms in Michigan, surplus funds pooled accounts, and bank or trust company collective investment funds, within certain restrictions.

The City has no investment policy that would further limit its investment choices. Ratings are not required for the City's investments as outlined above. The City's investments are in accordance with statutory authority.

NOTE D – INTERFUND RECEIVABLES AND PAYABLES:

The amounts of interfund receivables and payables at December 31, 2007 are as follows:

	DUE FROM OTHER FUNDS	
	General Fund	Total Due To Other Funds
DUE TO OTHER FUNDS		
Non-Major Governmental Funds	\$ 15,328	\$ 15,328
Total Due From Other Funds	<u>\$ 15,328</u>	<u>\$ 15,328</u>

All internal balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE E – INTERFUND TRANSFERS IN AND TRANSFERS OUT:

The transfers between funds for the year ended December 31, 2007 are as follows:

NOTE E – INTERFUND TRANSFERS IN AND TRANSFERS OUT (Continued):

		TRANSFERS (OUT)					
		General Fund	Major Street Fund	Non-Major Governmental Funds	Sewer Fund	Electric Fund	Total Due To Other Funds
TRANSFER IN	General Fund	\$ -	\$ -	\$ -	\$ -	\$339,900	\$ 339,900
	Major Street Fund	200,000	-	-	-	-	200,000
	Non-Major Governmental Funds	135,653	6,088	-	-	100,000	241,741
	Capital Projects	-	-	-	13,239	-	13,239
	Electric	-	-	200	-	-	200
	Total Due From Other Funds	<u>\$ 335,653</u>	<u>\$ 6,088</u>	<u>\$ 200</u>	<u>\$13,239</u>	<u>\$439,900</u>	<u>\$795,080</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE F – CAPITAL ASSETS:

A summary of the changes in governmental activities capital assets for the year ended December 31, 2007 is as follows:

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2007
Capital assets not being depreciated:				
Land	\$1,042,335	37,518		1,079,853
Construction in progress	-	-	-	-
Capital assets being depreciated:				
Buildings	6,219,313	-	-	6,219,313
Building improvements	20,600	12,300		32,900
Equipment and vehicles	2,999,634	147,124	(236,317)	2,910,441
Infrastructure	<u>440,701</u>	<u>866,433</u>	<u>-</u>	<u>1,307,134</u>
Total Capital Assets	<u>10,722,583</u>	<u>1,063,375</u>	<u>(236,317)</u>	<u>11,549,641</u>
Less accumulated depreciation:				
Buildings	(5,328,325)	(34,630)	-	(5,362,955)
Building improvements	(7,897)	(2,060)	-	(9,957)
Equipment and vehicles	(2,650,946)	(117,188)	236,317	(2,531,817)
Infrastructure	<u>(19,591)</u>	<u>(17,608)</u>	<u>-</u>	<u>(37,199)</u>
Total Accumulated Depreciation	<u>(8,006,759)</u>	<u>(171,486)</u>	<u>236,317</u>	<u>(7,941,928)</u>
Capital Assets, Net	<u>\$ 2,715,824</u>	<u>\$ 891,889</u>	<u>\$ -</u>	<u>\$ 3,607,713</u>

NOTE F – CAPITAL ASSETS (Continued):

Depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

Governmental Activities:	
Public Health and Safety	\$ 67,193
Public Works	69,663
Library	-
Unallocated	34,630
Total Depreciation Expense – Governmental Activities	<u>\$ 171,486</u>

A summary of changes in business-type activities capital assets as of December 31, 2007, is as follows:

	Balance January 1, 2006	Additions	Deductions	Balance December 31, 2006
Capital assets not being depreciated:				
Construction in progress	\$3,156,697	\$ 414,453	\$ -	\$ 3,571,150
Land	40,000	-	-	40,000
Capital assets being depreciated:				
Sewer plant and equipment	8,514,968	26,042	(16,860)	8,524,150
Electric system and equipment	1,761,172	239,345	(209,810)	1,790,707
Water plant and equipment	9,039,611	15,839	(5,614)	9,049,836
Cable system and equipment	556,682	39,988	-	596,670
Total Capital Assets	<u>23,069,130</u>	<u>735,667</u>	<u>(232,284)</u>	<u>23,572,513</u>
Less accumulated depreciation:				
Sewer plant and equipment	(5,551,761)	(204,732)	16,860	(5,739,633)
Electric system and equipment	(1,347,913)	(56,735)	209,810	(1,194,838)
Water plant and equipment	(2,242,162)	(239,558)	5,614	(2,476,106)
Cable system and equipment	(513,118)	(9,647)	-	(522,765)
Total Accumulated Depreciation	<u>(9,654,954)</u>	<u>(510,672)</u>	<u>232,284</u>	<u>(9,933,342)</u>
Capital Assets, Net	<u>\$ 13,414,176</u>	<u>\$ 224,995</u>	<u>\$ -</u>	<u>\$ 13,639,171</u>

Depreciation expense for the business-type activities was charged to the following functions and activities of the primary government:

Business-type Activities:	
Sewer system	\$204,732
Electric system	56,735
Water system	239,558
Cable system	9,647
Total Depreciation Expense – Business-type Activities	<u>\$510,672</u>

NOTE G – LONG-TERM DEBT:

The following is a summary of long-term debt transactions of the primary government at December 31, 2007:

NOTE G – LONG-TERM DEBT (Continued):

Description	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
Fire Truck – Note Payable	\$46,870	\$-	\$6,000	\$40,870	\$6,000
Fire Truck 2004 Bond	57,527	-	12,095	45,432	12,706
Case Loader – Note Payable	-	128,044	25,000	103,044	18,839
Accrued Sick & Vacation	116,812	-	3,943	112,869	-
TOTAL GOVERNMENTAL ACTIVITIES	221,209	128,044	47,038	302,215	37,545
BUSINESS-TYPE ACTIVITIES:					
Sewer system revenue refunding bonds, series 2003	2,615,000	-	90,000	2,525,000	90,000
Water revenue bonds	2,007,000	-	31,000	1,976,000	32,000
Water supply system bonds	695,000	-	-	695,000	-
Refunding bonds - limited tax, series 1998A	724,654	-	169,541	555,113	174,275
Utility Truck – Note Payable	-	79,973	24,000	55,973	-
TOTAL BUSINESS-TYPE ACTIVITIES	6,041,654	79,973	314,541	5,807,086	296,275
TOTAL REPORTING ENTITY	\$6,262,863	\$208,017	\$361,579	\$6,109,301	\$338,820

The annual principal and interest requirements are as follows:

	Government Activities		Business-Type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$37,545	\$8,719	296,275	246,541	\$333,820	\$255,260
2009	58,411	6,948	328,625	238,508	387,036	245,456
2010	27,569	4,102	337,822	227,677	365,391	231,779
2011	28,493	2,845	366,320	211,922	394,813	214,767
2012	29,457	1,548	389,044	195,878	418,501	197,426
2013-2017	7,871	187	1,050,000	806,161	1,057,871	806,348
2018-2022	-	-	1,010,000	603,840	1,010,000	603,840
2023-2027	-	-	1,068,000	345,205	1,068,000	345,205
2028-2032	-	-	427,000	169,856	427,000	169,856
2033-2037	-	-	534,000	62,373	534,000	62,373
Total	\$189,346	\$24,349	\$5,807,086	\$3,107,961	\$5,996,432	\$3,132,310

Sanitary Sewage System Revenue Bond Payable

In November 2002, the City of Negaunee, pursuant to Act 94 of the Public Acts of Michigan, 1933, as amended, and Ordinance No. 2002, as amended, authorized the issuance of \$3,070,000 in Sanitary Sewage Disposal System Revenue and Revenue Refunding Bonds, Series 2002 for the purpose of (1) paying the costs of the first phase of acquiring and constructing additions, extensions and improvements to the City's Sanitary Sewage Disposal System and (2) refunding all of the City's Sanitary Sewer System Revenue Bonds, Series 1978 (the "Prior Bonds"), maturing in the years 2004 to 2017, in the outstanding amount of \$1,125,000. The net proceeds of \$1,208,179 (after payment of \$93,805 in underwriting fees, insurance and other costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Prior Bonds. As a result, the Prior Bonds are considered to be defeased and the liability for those bonds has been removed from the Enterprise Funds long-term debt liability.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$163,179. This difference is being recorded in the

NOTE G – LONG -TERM DEBT (Continued):

accompanying financial statements as a deduction from bonds payable and is being charged to operations through the year 2017 using the effective interest method.

The Sanitary Sewage Disposal System Revenue and Revenue Refunding Bonds, Series 2002 are secured solely by the net revenues of the Sanitary Sewage System to pay the annual installments due plus interest and administrative costs, and statutory liens provided under Ordinance No. 2002. The bonds issued in denomination of \$5,000 each (\$3,070,000 original issue), dated November 27, 2002, mature annually on January 1 of each year through January 1, 2027. Interest is payable on January 1 and July 1 of each year at an average interest rate of 3.5% per annum. Scheduled payments of principal and interest are listed below:

<u>Payable In Year</u>	<u>January 1</u>		<u>July 1 Interest</u>	<u>Total</u>
	<u>Interest</u>	<u>Principal</u>		
2008	\$54,879	\$90,000	\$54,879	\$199,758
2009	53,484	95,000	53,484	201,968
2010	51,892	95,000	51,892	198,784
2011	50,230	100,000	50,230	200,460
2012	48,430	105,000	48,430	201,860
2013	46,461	110,000	46,461	202,922
2014	44,316	110,000	44,316	198,632
2015	42,116	115,000	42,116	199,232
2016	39,730	120,000	39,730	199,460
2017	37,180	125,000	37,180	199,360
2018	34,305	135,000	34,305	203,610
2019	31,200	140,000	31,200	202,400
2020	27,980	145,000	27,980	200,960
2021	24,645	155,000	24,645	204,290
2022	21,080	160,000	21,080	202,160
2023	17,400	170,000	17,400	204,800
2024	13,320	175,000	13,320	201,640
2025	9,120	185,000	9,120	203,240
2026	4,680	195,000	4,680	204,360
Totals	<u>\$652,448</u>	<u>\$2,525,000</u>	<u>\$652,448</u>	<u>\$3,829,896</u>

Water Supply System Revenue Bonds

In March of 1997 the City Council of the City of Negaunee, pursuant to the provisions of Act 94, Public Acts of Michigan, 1933, as amended, approved \$4.9 million dollars to provide for improvements to the Water Supply System. The improvements consisted of replacement of approximately twelve (12) miles of water main and other improvements to the System. Federal funds provided through the United States Department of Agriculture to defray a portion of the cost totaled \$2,908,000. The City has issued revenue bonds in the amount of \$2,233,000 with the remainder of the financing coming from local sources. The City's bonds are secured by the net revenues derived from the operation of the Water Supply system to pay the annual installments due plus interest.

NOTE G – LONG -TERM DEBT (Continued):

Water Supply system revenue bonds mature annually on April 1 of each year through April 1, 2037. Interest is payable semi-annually on April 1 and October 1 of each year at a rate of 4.5% per annum. Scheduled payments of principal and interest are listed below:

Payable In Year	April 1		October 1	
	Interest	Principal	Interest	Total
2008	\$44,460	\$32,000	\$43,740	\$120,200
2009	43,740	34,000	42,976	120,716
2010	42,975	35,000	42,188	120,163
2011	42,187	37,000	41,355	120,542
2012	41,355	39,000	40,478	120,833
2013	40,478	40,000	39,578	120,056
2014	39,578	42,000	38,633	120,211
2015	38,633	44,000	37,643	120,276
2016	37,643	46,000	36,608	120,251
2017	36,608	48,000	35,528	120,136
2018	35,528	50,000	34,403	119,931
2019	34,403	53,000	33,210	120,613
2020	33,210	55,000	31,973	120,183
2021	31,973	57,000	30,690	119,663
2022	30,690	60,000	29,340	120,030
2023	29,340	63,000	27,923	120,263
2024	27,923	65,000	26,460	119,383
2025	26,460	69,000	24,908	120,368
2026	24,908	71,000	23,310	119,218
2027	23,310	75,000	21,623	119,933
2028	21,623	78,000	19,868	119,491
2029	19,868	82,000	18,023	119,891
2030	18,023	85,000	16,110	119,133
2031	16,110	89,000	14,108	119,218
2032	14,108	93,000	12,015	119,123
2033	12,015	97,000	9,833	118,848
2034	9,833	102,000	7,538	119,371
2035	7,538	106,000	5,153	118,691
2036	5,153	111,000	2,655	118,808
2037	<u>2,655</u>	<u>118,000</u>	<u>-</u>	<u>120,655</u>
Totals	<u>\$832,328</u>	<u>\$1,976,000</u>	<u>\$787,870</u>	<u>\$3,596,198</u>

Refunding Bonds - Limited Tax, Series 1998A

In June of 1998, the City Council of the City of Negaunee, pursuant to the provisions of Act No. 185, Public Acts of Michigan, 1957, as amended, approved the refunding of part or all of the Marquette County Water Supply System Bonds, Series 1992 (Negaunee-Ishpeming Improvements). Interest is payable on May 1 and November 1 each year. Scheduled payments of principal and interest are listed below.

NOTE G – LONG -TERM DEBT (Continued):

<u>Payable In Year</u>	<u>Principal</u>	<u>Interest</u>		<u>Total</u>
	<u>May 1</u>	<u>May 1</u>	<u>November 1</u>	
2008	\$174,275	\$12,656	\$4,652	\$191,583
2009	186,648	9,261	1,462	197,371
2010	194,190	5,285	-	199,475
Totals	<u>\$555,113</u>	<u>\$27,202</u>	<u>\$6,114</u>	<u>\$588,429</u>

NOTE H – ACCUMULATED UNPAID VACATION AND SICK LEAVE:

The City accrues the liability for earned sick leave based on the vesting method. The liability is accrued as the benefits are earned if it is probable that the City will compensate the employees conditioned upon retirement, death or termination of employment. Employees earn sick leave at the rate of one (1) day per month, not to exceed 12 days per year. Upon termination in good standing, retirement, death, or disability, employees or their estates shall be paid for sick leave accumulated at their current rate of pay as dictated by the respective union contract or employment agreement.

Employees earn vacation leave at various schedules dependent upon their length of employment. Vacation in any current calendar year shall be taken as earned during the previous year. If an employee is not permitted to take all of his earned vacation time before the expiration of the calendar year, he shall be entitled to take any such unused vacation time during the succeeding six months. Upon retirement, death, termination or disability, employees or their estates are paid for any unused portion of vacation allowance in the current year to the separation date at their current rate of pay.

The current portion of the liability for governmental fund types, and the entire liability for proprietary fund types are reported as part of the accrued expenses in the respective funds.

The long-term portion of the liability applicable to the governmental fund types is reported in the Statement of Net Assets. The liability is recorded as follows.

	<u>Sick Leave</u>	<u>Vacation</u>	<u>Total</u>
ACCRUED SICK AND VACATION:			
General Fund	\$-	\$789	\$789
Sewer Utility Fund	18,585	-	18,585
Water Utility Fund	606	156	762
Electric Fund	16,135	-	16,135
Cable Utility Fund	1,298	11	1,309
Governmental Activities – long-term portion	<u>109,029</u>	<u>3,840</u>	<u>112,869</u>
TOTAL	<u>\$ 145,653</u>	<u>\$ 4,796</u>	<u>\$ 150,449</u>

NOTE I – DEFINED BENEFIT PENSION PLAN:

The following information is based upon the latest available actuarial valuation (as of December 31, 2006).

NOTE I – DEFINED BENEFIT PENSION PLAN (Continued):

Plan Description

The City contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees. The System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917-9755.

The qualified employees of the Police Department of the City are included in a separate self-administered plan. All other full-time employees of the City are eligible to participate in the System. Benefits vest after ten years of service. City employees who retire at or after the age of 55 with 25 years of credited service are entitled to an annual retirement benefit, payable monthly for life. Qualified employees receive a monthly payment equal to 2.25 percent of final average compensation, with a maximum benefit of 80% of final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and City ordinance.

Funding Policy

The City is required to contribute the amounts necessary to fund the System, using the actuarial basis specified by statute.

Annual Pension Cost

For the year ended December 31, 2007, the City's annual pension cost of \$282,158 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005 using the entry age normal cost method. Significant actuarial assumptions used include an 8.0% investment rate of return and projected salary increases of 4.5% per year. The actuarial value of assets is determined on the basis of a valuation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Unfunded actuarial accrued liabilities are amortized by level percent of payroll contributions over a period ranging from 30 to 39 years.

	Actuarial Valuation Date		
	December 31,		
	2004	2005	2006
Annual Pension Cost	\$268,992	\$265,950	\$282,158
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	6,298,728	6,536,168	6,824,499
Actuarial Accrued Liability	8,706,230	9,043,298	9,335,484
Unfunded AAL	2,407,502	2,507,130	2,510,985
Funded ratio	72%	72%	73%
Covered Payroll	1,558,272	1,420,270	1,465,338
UAAL as a Percentage of Covered Payroll	154%	177%	171%

NOTE J – POLICEMEN RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN:

Summary of Significant Accounting Policies

Basis of Accounting - The City of Negaunee Policemen Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments - Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

Plan Description

The City of Negaunee is the administrator of a single-employer public employee retirement system ("System") established and administered by the City of Negaunee to provide pension benefits for the Police Department employees. The Policemen's System is considered part of the City of Negaunee financial reporting entity and is included in the City's financial report as a pension trust fund. A separately issued actuarial report is issued and available from the City Clerk. The City's payroll for employees covered by the System for the years ended December 31, 2007, 2006, and 2005 was \$336,636; \$329,638; and, \$324,724; respectively. The City's total payroll was 2,006,908; \$2,052,577; and \$2,097,619; respectively.

The qualifying full-time employees of the Police Department are eligible to participate in the System. Benefits vest after ten years of service. Employees who retire at or after the age of 50 with 25 or more years of credited service or age 60 regardless of service are entitled to annual retirement benefits, payable monthly for life, in an amount equal to 2.9 percent of a five-year average final compensation times the first twenty-five years of service plus 1 percent of average final compensation times years of service in excess of twenty-five years. The System also provides death and disability benefits.

Non-duty disability benefits are payable upon the total permanent disability of a member with five or more years of service. Benefits up to the age of 55 are paid equaling 1.5% of the average final compensation times the years of service. Benefits after the age of 55 are the same as benefits received from service retirement.

Disability benefits from the total or permanent disability of a member in the line of duty are payable up to the age of 55, 50% of the average final compensation. Benefits after the age of 55 are the same as benefits from service retirement with service credit from date of disability to age 55.

If an active employee dies in the line of duty, the beneficiary will receive the same amount that was paid by worker's compensation.

**NOTE J – POLICEMEN RETIREMENT SYSTEM - DEFINED BENEFIT PENSION PLAN
(Continued):**

If an active employee with 20 or more years of service dies not in the line of duty, the surviving spouse, if any, will receive an amount equal to the accrued straight-line pension actuarially reduced in accordance with an Option 1 election.

Covered employees are required by statute to contribute five percent of their salary to the System. If an employee leaves covered employment or dies before 25 years of credited service, accumulated employee contributions plus related investment earnings are refunded to the employee or designated beneficiary. Benefit and contribution provisions are established by state statute and City ordinance.

Contributions

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended December 31, 2003, were determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities were amortized at a level percent of payroll over a period of 15 years.

During the year ended December 31, 2007, contributions totaling \$118,954 (\$102,105 employer and \$16,849 employee) were made in accordance with contribution requirements determined by an actuarial valuation of the plan as of December 31, 2003.

Trend Information

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three year trend information based upon the latest available actuarial valuation (as of December 31, 2003) is as follows:

	Actuarial Valuation Date		
	December 31,		
	2000	2001	2003
Annual Pension Cost	\$102,201	\$100,866	\$100,844
Percentage of APC Contributed	100%	100%	100%
Net Pension Obligation	-	-	-
Actuarial Value of Assets	1,858,889	1,980,375	2,130,793
Actuarial Accrued Liability	1,977,422	2,200,379	2,553,784
Unfunded AAL	118,533	220,004	422,991
Funded ratio	94%	90%	83%
Covered Payroll	383,909	414,699	393,843
UAAL as a Percentage of Covered Payroll	31%	53%	71%

NOTE K – DESIGNATED/RESERVED FUND BALANCE AND NET ASSETS:

The General Fund has designated fund balances in the amount of \$112,867, representing accrued sick and vacation.

**NOTE K – DESIGNATED/RESERVED FUND BALANCE AND NET ASSETS
(Continued):**

The Special Revenue Funds have designated fund balance in the amount of \$5,000 for future infrastructure improvements.

The Enterprise Funds have restricted net assets of \$226,000 for emergency funds and future debt retirement.

NOTE L – PROPERTY TAXES:

Property taxes levied on December 1, 2007, in the amount of \$1,437,127 were deferred since they are not “available” to finance current expenditures. The tax rate to finance general government services for the year ended December 31, 2006 (levied December 1, 2005) was 19.9723 mills per \$1,000 of assessed valuation or \$1,334,479 on the taxable value of \$66,812,270.

NOTE M – INVESTMENT IN JOINT WATER AUTHORITY:

On July 31, 1991, the City of Negaunee and the City of Ishpeming entered into an intergovernmental agreement pursuant to both Act 35 of 1951, as amended, and Act 7 of 1967 for the purpose of creating the Negaunee-Ishpeming Water Authority Board (NIWAB), a corporate public body which shall design, construct, own, operate and maintain a joint municipal water supply system and related facility. As part of the agreement, each city was obligated to pay 50% of the preliminary engineering, design engineering, and construction bidding costs.

On January 11, 1993, the County of Marquette issued Ishpeming/Negaunee Water Supply System Bonds - 1992 Issue of \$4,660,000 for the purpose of constructing a Water Plant and establishing a new water source for the City of Ishpeming and the City of Negaunee. Under the contract, the City of Negaunee was obligated to repay \$2,860,000 over 20 years with interest rates ranging from 4.00% to 6.90% and the City of Ishpeming is obligated to pay \$1,800,000 over the next 10 years with interest rates ranging from 4.00% to 6.10%.

The total cost of construction of the project was \$7,000,000. The funding sources, in addition to the bond offering, consist of a \$1,000,000 U.S. Economic Development Administration Grant; a \$500,000 Michigan Community Development Block Grant; and \$840,000 in local funds.

A portion of the original debt was refunded with the Refunding Bonds - Limited Tax, Series 1998A. The unfunded debt of the original issue has remaining principal and interest requirements as follows:

NOTE M – INVESTMENT IN JOINT WATER AUTHORITY (Continued):

<u>Payable In Year</u>	Principal	Interest		<u>Total</u>
	<u>May 1</u>	<u>May 1</u>	<u>November 1</u>	
2008	\$-	\$15,638	\$15,637	\$31,275
2009	-	15,638	15,637	31,275
2010	-	15,638	15,637	31,275
2011	215,000	15,638	10,800	241,438
2012	230,000	10,800	5,625	246,425
2013	<u>250,000</u>	<u>5,625</u>	<u>-</u>	<u>255,625</u>
Totals	<u>\$695,000</u>	<u>\$77,977</u>	<u>\$63,336</u>	<u>\$837,313</u>

A summary of the compiled financial information of the NIWAB as of and for the year ended December 31, 2006 (the latest available financial report) is as follows:

Assets	\$1,849,097
Liabilities	41,840
Fund Equity	1,852,257
Operating Revenues	473,201
Operating Expenses	490,201
Operating Income (Loss)	(17,000)
Net Income	10,499

The balance of the investment in Joint Water Authority for the year ended December 31, 2007 of \$543,875 represents the City's net investment in the NIWAB.

NOTE N – JOINT VENTURE:

In June 1988, the City of Negaunee joined with other municipalities to create the Marquette County Solid Waste Management Authority (Authority). The Authority was created pursuant to Act 233 of 1955 to plan for, acquire, construct, finance, operate, maintain, repair and dispose of, whether by sale, lease, or otherwise, an Act 641 landfill, including all improvements, appurtenances, easements, accessory facilities and structures, equipment, and any other property part of or incidental to the landfill sufficient to satisfy the requirements of, and function as a solid waste disposal area under Act 641.

The Authority is governed by a Board of Trustees consisting of one (1) member (who shall be the Chairperson of the Board of Trustees) designated by the Sands Township Supervisor on behalf of Sands Township; two (2) members designated by the Marquette City Commission; three (3) members designated by the Marquette County Board of Commissioners; and one (1) resident of the City of Marquette appointed by the other six Authority Board members. All decisions of the Board are made by majority vote, consisting of at least four of its members.

A summary of financial information from the separately audited financial statements of the Authority for the year ended June 30, 2007 is as follows:

NOTE N – JOINT VENTURE (Continued):

Assets	\$13,425,691
Liabilities	1,989,798
Net Assets	11,435,893
Operating Revenues	2,374,922
Operating Expenses	2,817,324
Outstanding Bonds Payable	515,000

The City of Marquette has pledged its full faith and credit for the Marquette County Solid Waste Management Authority Bonds, Series 1988. These bonds are payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds. The City's pro rata share of the outstanding debt of the Authority approximates 6.7%.

NOTE O – RISK MANAGEMENT:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City was unable to obtain general liability insurance at a cost it considered to be economically justifiable; therefore, the City joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the pool for its general insurance coverage. This agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The City continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The City is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE P – CONSTRUCTION IN PROGRESS:

The City has begun a project to acquire and construct additions, extensions and improvements to the City's Sanitary Sewage Disposal System for which the total project cost is estimated at \$12,380,000. The project is to be financed through approximately \$10,000,000 in federal appropriations, the issuance of the 2002 refunding bond providing approximately \$1,800,000 in proceeds, and an U.S. Army Corps of Engineers grant for \$580,000.

As of December 31, 2007, total construction costs incurred amounted to \$3,571,150.

NOTE Q – BUDGETARY NONCOMPLIANCE:

Public Act 621 of 1978, Section 18(1), as amended, provides that a City shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the General and Special Revenue Funds have been shown on a functional basis.

The approved budgets of the City for the General and Special revenue Funds were adopted on an activity and/or program level. During the year ended December 31, 2007 the City incurred functional expenditures which were in excess of the amounts appropriated as follows:

General Fund:			
Public Affairs:			
City Clerk			\$1,012
Public Health and Safety:			
Police Department			4,417
Public Works:			
Garage and Equipment			3,272
Cemetery:			1,141
Capital Outlay:			7,041
Major Street Fund:			
Major Street – Winter Maintenance			435

NOTE R – ACCOUNTS RECEIVABLE:

A summary of accounts receivable at December 31, 2007 is as follows:

Type	Governmental Activities -				Business-type Activities -				Total Primary Government	Component Unit
	General Fund	Major Street Fund	Capital Projects Fund	Other Governmental Funds	Sewer	Electric	Water	Cable		
A*	\$1,182,753	\$-	\$-	\$-	\$-	\$-	\$-	\$-	\$1,182,753	\$-
B*	125,697	-	-	531	1,031	1,492	794	-	129,545	-
C*	202,143	43,181	22,661	16,366	-	-	-	-	284,351	29,279
D*	-	-	-	-	138,167	329,902	59,345	39,602	567,016	-
E*	-	-	-	-	-	-	-	-	-	-
F*	-	-	-	-	-	-	-	-	-	-
Total	\$1,510,593	\$43,181	\$22,661	\$16,897	\$139,198	\$331,394	\$60,139	\$39,602	\$2,163,665	\$29,279

A*	Property Taxes – Current	D*	Utilities Receivable
B*	Other	E*	Accrued Interest
C*	Due From Other Government Units	F*	Delinquent Property Taxes

REQUIRED SUPPLEMENTARY INFORMATION

City of Negaunee, Michigan

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

The function of the General Fund is to record all revenues and expenditures of the City which are not accounted for in other funds. The General Fund receives revenue from many sources which are used to finance a wide range of City activities.

The major activities financed by the General Fund are Public Affairs, Fire and Police Protection, Public Works, Parks and Recreation, City Administration and most public services.

The modified accrual basis of accounting is used in recording General Fund transactions.

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The MAJOR STREETS FUND is the only major special revenue fund type.

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2006 Actual
REVENUES:					
Property Taxes:					
Current levy	\$ 1,272,320	\$ 1,272,320	\$ 1,272,309	\$ (11)	\$ 1,284,672
Special levy - parks and recreation programs	63,586	63,586	63,561	(25)	62,203
Specific ore tax	29,065	29,065	28,907	(158)	32,956
Payment in lieu of taxes	24,500	24,500	25,412	912	24,262
Interest and penalties	1,800	1,800	1,598	(202)	1,611
Administrative fees	33,000	33,000	33,198	198	31,599
Total Property Taxes	1,424,271	1,424,271	1,424,985	714	1,437,303
Licenses and Permits	350	350	270	(80)	336
Federal Sources - grant proceeds	40,000	-	956	956	-
State Sources					
State grant proceeds	-	-	-	-	13,100
State shared taxes	582,000	562,000	560,779	(1,221)	578,554
Liquor license refunds	4,900	4,900	4,991	91	4,915
Penal fines	24,000	24,000	23,993	(7)	25,801
Total State Sources	610,900	590,900	589,763	(1,137)	622,370
Service Charges:					
Building and equipment rentals	127,580	127,580	127,264	(316)	113,801
Burial permits	46,000	41,000	40,980	(20)	52,619
Garbage collection fees	262,000	258,500	258,054	(446)	248,952
Sale of cemetery lots	8,500	6,000	5,894	(106)	8,960
Franchise fee	17,100	18,100	18,143	43	17,740
Total Service Charges	461,180	451,180	450,335	(845)	442,072
Contributions:					
Contributions from Highway Fund	508,685	544,885	545,193	308	552,918
Contributions from private sources	-	-	-	-	(875)
Total Contributions	508,685	544,885	545,193	308	552,043
Other Revenue:					
Investment income	70,000	77,000	77,088	88	68,856
Office/Building Rental	-	-	-	-	9,600
Sale of surplus property	26,000	45,000	45,004	4	10,973
Recreation and ice arena sales	20,250	20,250	19,710	(540)	20,827
Traffic violations	13,000	13,000	13,047	47	10,725
Hospitalization insurance reimbursement	113,000	83,300	57,885	(25,415)	109,082
Insurance refund	30,000	20,000	19,860	(140)	25,032
Landfill reimbursement	45,000	90,000	90,373	373	66,136
Miscellaneous	13,000	15,500	15,261	(239)	32,561
Total Other Revenue	330,250	364,050	338,228	(25,822)	353,792
TOTAL REVENUES	3,375,636	3,375,636	3,349,730	(25,906)	3,407,916

City of Negaunee, Michigan

GENERAL FUND

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2007

With Comparative Actual Amounts for the Year Ended December 31, 2006

		2007			Variance with	
		Original	Final	Actual	Final Budget	
		Budget	Budget	GAAP	Positive	2006
				Basis	(Negative)	Actual
EXPENDITURES:						
PUBLIC AFFAIRS:						
City Manager:						
Personal services	\$	47,710	\$ 56,960	\$ 57,021	\$ (61)	\$ 48,320
Social security taxes		1,970	1,970	2,108	(138)	1,587
Special services		-	-	-	-	600
Retirement		4,830	4,830	4,745	85	4,289
Office supplies		2,000	4,100	4,083	17	2,050
Office equipment		1,500	1,500	1,500	-	-
Communications		4,000	6,200	6,178	22	4,380
Conference and travel		-	-	-	-	20
Repairs and maintenance		2,500	2,500	2,465	35	2,636
Dues and memberships		100	100	-	100	28
Total City Manager		64,610	78,160	78,100	60	63,910
City Council:						
Personal services		8,500	8,500	8,800	(300)	8,220
Social security taxes		600	600	673	(73)	606
Special services		-	-	650	(650)	500
Legislative publications		4,000	4,500	6,537	(2,037)	7,885
Conference and travel		3,000	3,000	1,035	1,965	2,516
Building rental		1,200	1,800	1,800	-	1,200
Dues and memberships		4,500	4,500	3,332	1,168	4,327
Miscellaneous		500	500	376	124	236
Total City Council		22,300	23,400	23,203	197	25,490
City Building:						
Personal services		28,525	36,025	37,349	(1,324)	34,611
Social security taxes		2,180	2,180	2,783	(603)	2,653
Special services		-	-	-	-	4,200
Retirement		5,560	6,560	7,073	(513)	6,409
Supplies		2,000	3,000	3,080	(80)	2,502
Utilities		7,700	7,700	6,431	1,269	4,774
Fuel		17,000	17,000	15,372	1,628	16,349
Repairs and maintenance		6,000	16,000	15,087	913	2,690
Total City Building		68,965	88,465	87,175	1,290	74,188
City Attorney:						
Personal services		27,920	28,120	28,080	40	22,248
Special services		-	-	-	-	3,480
Dues and memberships		-	-	-	-	565
Miscellaneous		-	-	-	-	-
Total City Attorney		27,920	28,120	28,080	40	26,293
City Clerk:						
Personal services		21,900	22,400	23,626	(1,226)	21,731
Social security taxes		1,630	1,630	1,690	(60)	1,609
Special services		-	-	-	-	257
Retirement		4,130	4,130	3,638	492	3,372
Office supplies		1,500	1,500	1,221	279	969
Audit		3,700	3,700	4,019	(319)	4,076
Communications		4,000	4,500	4,410	90	4,236
Conference and travel		50	50	75	(25)	43
Repairs and maintenance		300	400	390	10	300
Miscellaneous		1,020	1,020	1,273	(253)	20
Total City Clerk		38,230	39,330	40,342	(1,012)	36,613

City of Negaunee, Michigan

GENERAL FUND

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2007

With Comparative Actual Amounts for the Year Ended December 31, 2006

		2007				
		Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2006 Actual
Elections:						
Personal services	\$	1,300	\$ 1,300	\$ 643	\$ 657	\$ 2,084
Office supplies		900	900	1,242	(342)	1,783
Communications		250	250	145	105	395
Printing and publishing		500	500	436	64	688
Repairs and maintenance		200	200	550	(350)	-
Office equipment		1,000	1,000	1,000	-	-
Total Elections		4,150	4,150	4,016	134	4,950
Board of Review:						
Personal services		1,000	1,000	890	110	860
Social security taxes		100	100	68	32	66
Total Board of Review		1,100	1,100	958	142	926
TOTAL PUBLIC AFFAIRS		227,275	262,725	261,874	851	232,370
ACCOUNTING AND FINANCE:						
City Treasurer:						
Personal services		11,250	10,250	(1,146)	11,396	13,697
Social security taxes		1,230	1,230	774	456	1,079
Retirement		3,300	1,300	994	306	2,681
Office supplies		1,000	1,000	766	234	979
Special services		675	675	2,566	(1,891)	902
Communications		2,000	2,000	1,077	923	1,854
Conference and travel		750	750	1,353	(603)	920
Repairs and maintenance		500	500	-	500	920
Dues and memberships		150	150	-	150	150
Miscellaneous		250	250	48	202	46
Office equipment		1,000	1,000	1,366	(366)	1,105
Total City Treasurer		22,105	19,105	7,798	11,307	24,333
Assessment of Taxes:						
Personal services		41,600	43,525	44,024	(499)	58,513
Social security taxes		3,180	3,180	3,264	(84)	4,124
Retirement		9,320	9,320	9,095	225	10,973
Office supplies		400	400	533	(133)	539
Communications		2,000	2,000	2,290	(290)	2,365
Conference and travel		400	400	90	310	1,552
Repairs and maintenance		200	200	18	182	127
Dues and memberships		250	250	-	250	-
Office equipment		1,700	1,700	1,376	324	-
Miscellaneous		-	-	-	-	79,159
Total Assessment of Taxes		59,050	60,975	60,690	285	157,352
TOTAL ACCOUNTING AND FINANCE		81,155	80,080	68,488	11,592	181,685
PUBLIC HEALTH AND SAFETY:						
Police Department:						
Personal services		403,000	423,300	431,856	(8,556)	413,381
Social security taxes		31,200	31,200	32,311	(1,111)	31,746
Retirement		106,600	115,600	115,475	125	112,415
Office supplies		2,000	2,000	1,550	450	1,821
Operating supplies		2,720	2,720	3,649	(929)	3,408
Office equipment		1,500	1,500	1,382	118	1,495
Uniforms and accessories		5,000	5,000	4,506	494	2,898

City of Negaunee, Michigan

GENERAL FUND

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2007

With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2006 Actual
Police Department (Continued):					
Animal control	\$ -	\$ -	\$ 109	\$ (109)	\$ -
Communications	7,000	9,700	10,119	(419)	8,733
Vehicle expense	20,000	20,000	15,204	4,796	14,483
Training	1,300	1,300	695	605	794
Conference and travel	1,000	1,000	1,045	(45)	1,348
Repairs and maintenance	500	500	726	(226)	569
Dues and memberships	500	500	360	140	566
Crime prevention	250	250	-	250	-
Miscellaneous	-	-	-	-	115
Total Police Department	582,570	614,570	618,987	(4,417)	593,772
Fire Department:					
Personal services	44,000	40,000	39,813	187	35,554
Social security taxes	3,366	3,366	3,048	318	2,725
Retirement	80	80	89	(9)	80
Operating supplies	5,550	4,550	4,194	356	3,421
Physical exams and tests	2,400	400	225	175	388
Communications	1,500	1,500	2,039	(539)	1,372
Vehicle expense	1,300	1,300	726	574	516
Conference and travel	4,000	4,000	4,034	(34)	2,741
Utilities	1,800	1,800	1,708	92	1,098
Fuel	13,200	9,400	9,328	72	10,281
Repairs and maintenance	6,000	6,000	6,299	(299)	5,438
Dues and memberships	230	230	50	180	184
Miscellaneous	1,000	1,000	715	285	1,000
Total Fire Department	84,426	73,626	72,268	1,358	64,798
TOTAL PUBLIC HEALTH AND SAFETY	666,996	688,196	691,255	(3,059)	658,570
PUBLIC WORKS:					
Streets, Highways and Alleys:					
Special services	300	6,400	6,342	58	1,211
Operating supplies	20,000	24,200	24,223	(23)	15,818
Total Streets, Highways and Alleys	20,300	30,600	30,565	35	17,029
Bridges and Culverts:					
Special services	10,000	200	102	98	-
Operating supplies	-	-	-	-	3,005
Total Bridges and Culverts	10,000	200	102	98	3,005
Traffic Control:					
Special services	500	1,400	1,316	84	1,182
Operating supplies	3,000	6,500	6,584	(84)	3,390
Railroad signal maintenance	120	120	120	-	120
Utilities	3,000	3,000	2,843	157	1,949
Total Traffic Control	6,620	11,020	10,863	157	6,641
Snow Removal and Ice Control:					
Special services	-	-	-	-	-
Operating supplies	18,000	18,500	18,448	52	15,692
Total Snow Removal and Ice Control	18,000	18,500	18,448	52	15,692

City of Negaunee, Michigan
GENERAL FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2006 Actual
Garbage Collection and Disposal:					
Personal services	\$ 3,000	\$ 3,500	\$ 2,891	\$ 609	\$ 3,387
Social security taxes	100	100	261	(161)	217
Retirement	300	300	558	(258)	525
Operating supplies	100	5,100	5,168	(68)	351
Total Garbage Collection and Disposal	3,500	9,000	8,878	122	4,480
County Sanitary Landfill:					
Special services	268,050	304,050	303,432	618	273,324
Total County Sanitary Landfill	268,050	304,050	303,432	618	273,324
Engineering Services:					
Purchased services	-	-	-	-	19,838
Total Engineering Services	-	-	-	-	19,838
Garage and Equipment:					
Personal services	274,640	283,640	294,631	(10,991)	263,398
Social security taxes	17,480	18,980	18,983	(3)	18,807
Retirement	52,775	50,975	46,416	4,559	44,749
Office supplies	3,000	3,000	1,392	1,608	1,490
Operating supplies	8,000	8,000	8,252	(252)	8,778
Uniforms and accessories	4,200	4,200	3,579	621	2,312
Communications	4,000	4,000	5,864	(1,864)	3,828
Vehicle expense	95,000	110,000	108,120	1,880	102,273
Conference and travel	1,000	1,000	541	459	100
Utilities	9,000	9,000	7,978	1,022	5,351
Fuel	25,000	25,000	21,688	3,312	20,390
Repairs and maintenance	3,000	3,000	6,623	(3,623)	4,582
Total Garage and Equipment	497,095	520,795	524,067	(3,272)	476,058
Curb, Gutter and Sidewalk Maintenance:					
Personal services	4,000	15,000	15,334	(334)	18,724
Social security taxes	300	900	1,173	(273)	1,432
Retirement	750	2,750	2,854	(104)	3,427
Special services	1,000	1,000	-	1,000	168
Operating supplies	3,950	11,950	12,164	(214)	19,328
Total Curb, Gutter and Sidewalk Maintenance	10,000	31,600	31,525	75	43,079
Alley Cleaning:					
Personal services	950	450	430	20	935
Social security taxes	75	75	33	42	72
Retirement	185	185	84	101	173
Supplies	5,000	-	-	-	2,512
Total Alley Cleaning	6,210	710	547	163	3,692
Street Lighting:					
Purchased services	34,500	39,500	39,493	7	22,295
Total Street Lighting	34,500	39,500	39,493	7	22,295
TOTAL PUBLIC WORKS	874,275	965,975	967,920	(1,945)	885,133

City of Negaunee, Michigan

GENERAL FUND

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2007

With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2006 Actual
PARKS AND RECREATION:					
Parks and Recreation:					
Personal services	\$ 86,960	\$ 82,960	\$ 82,417	\$ 543	\$ 86,145
Social security taxes	6,950	6,450	6,261	189	6,037
Retirement	9,080	9,080	8,017	1,063	7,579
Supplies	6,500	6,500	6,312	188	5,761
Special services	12,800	10,900	11,838	(938)	4,712
Utilities	39,150	32,150	32,548	(398)	20,188
Fuel	17,600	13,800	13,725	75	14,834
Repairs and maintenance	15,200	13,200	12,865	335	7,469
Miscellaneous	8,960	6,560	5,954	606	4,189
Total Parks and Recreation	203,200	181,600	179,937	1,663	156,914
Special Events:					
Personal services	3,900	3,900	3,835	65	4,521
Social security taxes	300	300	296	4	343
Retirement	760	760	358	402	585
Operating supplies	2,000	2,000	2,128	(128)	2,071
Special services	2,600	2,600	2,460	140	1,777
Total Special Events	9,560	9,560	9,077	483	9,297
Tree Trimming and Removal:					
Retirement	-	-	-	-	-
Special services	1,000	100	-	100	-
Supplies	500	800	1,774	(974)	800
Total Tree Trimming and Removal	1,500	900	1,774	(874)	800
City Band:					
Personal services	4,600	4,600	4,141	459	4,507
Music and supplies	600	600	540	60	694
Utilities	700	700	1,005	(305)	610
Fuel	1,000	1,000	877	123	944
Repairs and maintenance	400	400	450	(50)	484
Miscellaneous	250	250	33	217	210
Total City Band	7,550	7,550	7,046	504	7,449
TOTAL PARKS AND RECREATION	221,810	199,610	197,834	1,776	174,460
CEMETERY:					
Personal services	65,950	61,550	58,843	2,707	62,233
Social security taxes	5,050	5,050	4,579	471	4,826
Retirement	9,660	9,660	8,114	1,546	8,635
Operating supplies	700	700	1,780	(1,080)	999
Communications	1,100	1,100	1,813	(713)	1,266
Vehicle expense	5,000	5,000	4,802	198	5,855
Electricity and water	2,400	2,400	2,865	(465)	2,296
Fuel	3,800	3,800	4,250	(450)	2,761
Repairs and maintenance	5,000	5,000	8,355	(3,355)	5,534
TOTAL CEMETERY	98,660	94,260	95,401	(1,141)	94,405
LIBRARY:					
Personal services	24,940	41,940	26,814	15,126	80,780
Social security taxes	4,585	2,585	2,449	136	6,275
Retirement	10,120	8,120	8,025	95	13,820
Office supplies	900	900	874	26	1,174
Communications	10,450	10,450	10,501	(51)	10,723
Electricity and water	1,000	1,000	1,418	(418)	849

City of Negaunee, Michigan

GENERAL FUND

Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2007

With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007				
	Original Budget	Final Budget	Actual GAAP Basis	Variance with Final Budget Positive (Negative)	2006 Actual
Library (Continued):					
Conferences and travel	\$ 75	\$ 75	\$ -	\$ 75	\$ 35
Dues and memberships	2,000	2,000	1,928	72	3,179
Books, magazines and periodicals	5,000	5,000	4,663	337	9,318
TOTAL LIBRARY	<u>59,070</u>	<u>72,070</u>	<u>56,672</u>	<u>15,398</u>	<u>126,153</u>
OTHER GOVERNMENTAL:					
Luge Project	600	600	-	600	230
Social security taxes	2,125	2,125	1,363	762	2,287
Group life and hospitalization insurance	810,200	707,125	616,373	90,752	780,931
Workmen's compensation insurance	38,000	38,000	32,841	5,159	37,237
Longevity and separation pay	48,417	55,417	36,977	18,440	8,579
Retirement benefits	-	1,000	1,051	(51)	-
Fire, liability and other insurance	66,200	66,200	57,449	8,751	45,282
Easements and leases	500	500	551	(51)	462
Bad debt expense	300	300	-	300	231
Contribution - senior citizen	1,000	10,000	10,000	-	15,000
Miscellaneous	5,800	5,600	4,388	1,212	5,070
TOTAL OTHER GOVERNMENTAL	<u>973,142</u>	<u>886,867</u>	<u>760,993</u>	<u>125,874</u>	<u>895,309</u>
DEBT SERVICE:					
Principal payments	43,095	43,095	43,095	-	16,513
Interest and fiscal charges	4,989	4,989	4,989	-	5,832
TOTAL DEBT SERVICE	<u>48,084</u>	<u>48,084</u>	<u>48,084</u>	<u>-</u>	<u>22,345</u>
CAPITAL OUTLAY:					
City building	7,500	7,500	8,514	(1,014)	6,730
Police department	7,600	7,600	7,465	135	24,251
Fire department	55,000	-	-	-	1,713
Garage and equipment	32,000	32,000	40,080	(8,080)	18,000
Curb & Sidewalk Repair	-	-	-	-	89,246
City band	-	-	-	-	-
Parks and Recreation	18,000	14,300	14,286	14	8,208
Cemetery	8,800	8,800	6,896	1,904	-
TOTAL CAPITAL OUTLAY	<u>128,900</u>	<u>70,200</u>	<u>77,241</u>	<u>(7,041)</u>	<u>148,148</u>
TOTAL EXPENDITURES	<u>3,379,367</u>	<u>3,368,067</u>	<u>3,225,762</u>	<u>142,305</u>	<u>3,418,578</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,731)</u>	<u>7,569</u>	<u>123,968</u>	<u>116,399</u>	<u>(10,662)</u>
OTHER FINANCING SOURCES (USES):					
Transfers in	339,900	339,900	339,900	-	330,000
Transfers out	(309,996)	(309,996)	(335,653)	(25,657)	(259,846)
TOTAL OTHER FINANCING SOURCES (USES)	<u>29,904</u>	<u>29,904</u>	<u>4,247</u>	<u>(25,657)</u>	<u>70,154</u>
CHANGE IN FUND BALANCE	<u>26,173</u>	<u>37,473</u>	<u>128,215</u>	<u>90,742</u>	<u>59,492</u>
Fund balance, beginning of year	<u>871,298</u>	<u>871,298</u>	<u>871,298</u>	<u>-</u>	<u>811,806</u>
FUND BALANCE, END OF YEAR	<u>\$ 897,471</u>	<u>\$ 908,771</u>	<u>\$ 999,513</u>	<u>\$ 90,742</u>	<u>\$ 871,298</u>

City of Negaunee, Michigan
Major Special Revenue Funds
Budgetary Comparison Schedule
For the Year Ended December 31, 2007

MAJOR STREET FUND				
	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Federal sources	1,087,500	1,087,500	391,471	(696,029)
State sources	545,750	545,750	561,283	15,533
Interest income and rentals	1,000	1,000	-	(1,000)
Contributions	-	-	-	-
Other revenue	-	-	-	-
TOTAL REVENUES	<u>1,634,250</u>	<u>1,634,250</u>	<u>952,754</u>	<u>(681,496)</u>
EXPENDITURES:				
Current operations:				
Public works	1,812,496	1,812,496	1,142,297	670,199
Other governmental	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	<u>1,812,496</u>	<u>1,812,496</u>	<u>1,142,297</u>	<u>670,199</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(178,246)</u>	<u>(178,246)</u>	<u>(189,543)</u>	<u>(11,297)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	238,246	238,246	200,000	(38,246)
Transfers (out)	(60,000)	(60,000)	(6,088)	53,912
TOTAL OTHER FINANCING SOURCES (USES)	<u>178,246</u>	<u>178,246</u>	<u>193,912</u>	<u>15,666</u>
CHANGE IN FUND BALANCE	-	-	4,369	4,369
Fund balance, beginning of year	-	-	-	-
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,369</u>	<u>\$ 4,369</u>

City of Negaunee, Michigan
MAJOR STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007		Variance with Final Budget Positive (Negative)	2006 Actual
	Final Budget	Actual GAAP Basis		
REVENUES:				
Federal sources	\$ 1,087,500	\$ 391,471	\$ (696,029)	\$ -
State sources:				
Motor vehicle highway gas and weight tax	295,000	269,824	(25,176)	305,578
Highway maintenance contract	250,750	291,459	40,709	176,104
Investment income	1,000	-	(1,000)	19
TOTAL REVENUES	1,634,250	952,754	(681,496)	481,701
EXPENDITURES:				
MAJOR STREET:				
Administration, Engineering and Records:				
Personal services	11,800	11,764	36	10,693
Street Maintenance:				
Contracted services	1,425,976	767,409	658,567	-
Routine Maintenance:				
Personal services	12,700	12,560	140	10,176
Social security	500	961	(461)	778
Retirement	2,200	2,409	(209)	1,873
Supplies	5,000	4,128	872	4,255
Equipment rental	10,100	10,289	(189)	9,482
Total Routine Maintenance	30,500	30,347	153	26,564
Sweeping and Flushing:				
Personal services	4,500	2,057	2,443	4,216
Social security	350	157	193	322
Retirement	800	393	407	741
Equipment rental	13,000	7,556	5,444	14,114
Total Sweeping and Flushing	18,650	10,163	8,487	19,393
Tree Trimming:				
Personal services	3,500	3,209	291	5,206
Social security	120	252	(132)	379
Retirement	300	546	(246)	946
Supplies	280	37	243	163
Equipment rental	4,000	3,981	19	11,956
Total Tree Trimming	8,200	8,025	175	18,650
Storm Drains, Curb and Gutter:				
Personal services	3,000	2,733	267	10,767
Social security	500	209	291	824
Retirement	1,300	529	771	1,962
Supplies	-	-	-	2,618
Equipment rental	3,000	2,588	412	19,302
Total Storm Drains, Curb and Gutter	7,800	6,059	1,741	35,473

City of Negaunee, Michigan
MAJOR STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007		Variance with Final Budget	2006 Actual
	Final Budget	Actual GAAP Basis	Positive (Negative)	
Traffic Signs and Pavement Markings:				
Personal services	\$ 5,000	\$ 4,954	\$ 46	\$ 5,248
Social security	200	378	(178)	399
Retirement	1,000	951	49	964
Supplies	1,800	1,631	169	1,443
Equipment rental	4,300	4,263	37	1,739
Total Traffic Signs and Pavement Markings	12,300	12,177	123	9,793
Winter Maintenance:				
Personal services	41,500	41,634	(134)	28,418
Social security	2,700	3,061	(361)	2,129
Retirement	8,000	7,744	256	5,119
Supplies	17,000	17,227	(227)	18,206
Equipment rental	101,000	100,969	31	71,352
Total Winter Maintenance	170,200	170,635	(435)	125,224
Employee benefits	45,500	45,464	36	44,466
TOTAL MAJOR STREET	1,730,926	1,062,043	668,883	290,256
TRUNKLINE:				
Administration, Engineering and Records:				
Personal services	8,300	8,261	39	7,299
Contract services	-	-	-	128,584
	8,300	8,261	39	135,883
Routine Maintenance:				
Personal services	500	286	214	638
Social security	50	26	24	(59)
Retirement	100	67	33	118
Supplies	200	224	(24)	172
Equipment rental	200	-	200	1,205
Total Routine Maintenance	1,050	603	447	2,074
Sweeping:				
Personal services	100	-	100	119
Social security	10	-	10	(4)
Retirement	20	-	20	17
Equipment rental	370	247	123	551
Total Sweeping	500	247	253	683
Roadside Operations:				
Personal services	1,350	1,335	15	1,564
Social security	60	102	(42)	12
Retirement	125	255	(130)	290
Supplies	250	-	250	114
Equipment rental	3,665	3,741	(76)	3,005
Total Roadside Operations	5,450	5,433	17	4,985

City of Negaunee, Michigan
MAJOR STREETS FUND
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007		Variance with Final Budget Positive (Negative)	2006 Actual
	Final Budget	Actual GAAP Basis		
Traffic Signs and Pavement Markings:				
Personal services	\$ 700	\$ 336	\$ 364	\$ 860
Social security	50	26	24	66
Retirement	130	66	64	159
Supplies	2,870	2,843	27	2,129
Equipment rental	-	-	-	342
Total Traffic Signs and Pavement Markings	3,750	3,271	479	3,556
Winter Maintenance:				
Personal services	8,600	8,214	386	7,344
Social security	650	628	22	555
Retirement	1,600	1,594	6	1,340
Supplies	5,000	5,397	(397)	7,029
Equipment rental	27,250	27,265	(15)	22,733
Total Winter Maintenance	43,100	43,098	2	39,001
Employee benefits	19,420	19,341	79	10,345
TOTAL TRUNKLINE	81,570	80,254	1,316	196,527
TOTAL EXPENDITURES	1,812,496	1,142,297	670,199	486,783
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(178,246)	(189,543)	(11,297)	(5,082)
OTHER FINANCING SOURCES (USES):				
Transfers in	238,246	200,000	(38,246)	3,226
Transfers (out)	(60,000)	(6,088)	53,912	-
TOTAL OTHER FINANCING SOURCES (USES)	178,246	193,912	15,666	3,226
CHANGE IN FUND BALANCE	-	4,369	4,369	(1,856)
Fund balance, beginning of year	-	-	-	1,856
FUND BALANCE, END OF YEAR	\$ -	\$ 4,369	\$ 4,369	\$ -

OTHER FINANCIAL INFORMATION

City of Negaunee, Michigan

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The function of the Special Revenue Funds is to record revenues and expenditures for specific functions or activities within restrictions imposed by City Charter, ordinances, resolutions and/or Federal and State statutes. The modified accrual basis of accounting is used in recording Special Revenue Fund transactions. The LOCAL STREET FUND, LIBRARY STATE AID FUND, LAW ENFORCEMENT FUND, CRIME PREVENTION FUND, ECONOMIC DEVELOPMENT FUND, and TEAL LAKE IMPROVEMENT FUND are non-major special revenue fund types.

PERMANENT FUNDS

The function of Permanent Funds is to account for funds where only the interest earnings may be used. The principal cannot be spent. The accrual basis of accounting is used in recording Permanent Fund transactions. The CEMETERY TRUST FUND is a permanent fund type.

City of Negaunee, Michigan
NON-MAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
December 31, 2007

	Special Revenue Funds	Permanent Funds Cemetery Trust Fund	Total
ASSETS			
Cash and cash equivalents	\$ 156,236	\$ 104,397	\$ 260,633
Accounts receivable, net	-	531	531
Due from other governmental units	16,366	-	16,366
TOTAL ASSETS	\$ 172,602	\$ 104,928	\$ 277,530
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Cash overdraft	\$ -	\$ -	\$ -
Accounts payable	5,322	-	5,322
Accrued salaries	1,745	-	1,745
Due to other funds	15,328	-	15,328
TOTAL LIABILITIES	22,395	-	22,395
FUND BALANCE:			
Reserved for:			
Cemetery Trust	-	104,928	104,928
Unreserved, reported in:			
Special revenue funds - Designated	5,000	-	5,000
Special revenue funds - Undesignated	145,207	-	145,207
TOTAL FUND BALANCE	150,207	104,928	255,135
TOTAL LIABILITIES AND FUND BALANCE	\$ 172,602	\$ 104,928	\$ 277,530

City of Negaunee, Michigan
NON-MAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2007

	Special Revenue Funds	Permanent Fund Cemetery Trust Fund	Total
REVENUES:			
State sources	\$ 261,385	\$ -	\$ 261,385
Contributions - other	14,477	-	14,477
Investment income	3,259	4,232	7,491
Other revenue	47,507	2,526	50,033
TOTAL REVENUES	326,628	6,758	333,386
EXPENDITURES:			
Current operations:			
Public works	374,421	-	374,421
Public health and safety	-	-	-
Library	49,260	-	49,260
Community development	155,939	-	155,939
TOTAL EXPENDITURES	579,620	-	579,620
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(252,992)	6,758	(246,234)
OTHER FINANCING SOURCES (USES):			
Transfers in	241,741	-	241,741
Transfers out	(200)	-	(200)
TOTAL OTHER FINANCING SOURCES (USES)	241,541	-	241,541
CHANGE IN FUND BALANCE	(11,451)	6,758	(4,693)
Fund balance, beginning of year	161,658	98,170	259,828
FUND BALANCE, END OF YEAR	\$ 150,207	\$ 104,928	\$ 255,135

City of Negaunee, Michigan
NON-MAJOR SPECIAL REVENUE FUNDS
Combining Balance Sheet
December 31, 2007

	Local Street Fund	Library State Aid Fund	Law Enforcement Fund	Crime Prevention Fund	Economic Development Fund	Teal Lake Improvement Fund	Total
ASSETS							
Cash and cash equivalents	\$ 707	\$ 2,122	\$ 4,428	\$ 1,051	\$ 145,699	\$ 2,229	\$ 156,236
Accounts receivable, net	-	-	-	-	-	-	-
Due from other governmental units	16,366	-	-	-	-	-	16,366
TOTAL ASSETS	<u>\$ 17,073</u>	<u>\$ 2,122</u>	<u>\$ 4,428</u>	<u>\$ 1,051</u>	<u>\$ 145,699</u>	<u>\$ 2,229</u>	<u>\$ 172,602</u>
LIABILITIES AND FUND BALANCE							
LIABILITIES:							
Cash overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	2,122	-	-	3,200	-	5,322
Accrued salaries	1,745	-	-	-	-	-	1,745
Due to other funds	15,328	-	-	-	-	-	15,328
TOTAL LIABILITIES	<u>17,073</u>	<u>2,122</u>	<u>-</u>	<u>-</u>	<u>3,200</u>	<u>-</u>	<u>22,395</u>
FUND BALANCE:							
Designated	-	-	-	-	5,000	-	5,000
Undesignated	-	-	4,428	1,051	137,499	2,229	145,207
TOTAL FUND BALANCE	<u>-</u>	<u>-</u>	<u>4,428</u>	<u>1,051</u>	<u>142,499</u>	<u>2,229</u>	<u>150,207</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 17,073</u>	<u>\$ 2,122</u>	<u>\$ 4,428</u>	<u>\$ 1,051</u>	<u>\$ 145,699</u>	<u>\$ 2,229</u>	<u>\$ 172,602</u>

City of Negaunee, Michigan
NON-MAJOR SPECIAL REVENUE FUNDS
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2007

	Local Street Fund	Library State Aid Fund	Law Enforcement Fund	Crime Prevention Fund	Economic Development Fund	Teal Lake Improvement Fund	Total
REVENUES:							
State sources	\$ 228,431	\$ 5,757	\$ 2,197	\$ -	\$ 25,000	\$ -	\$ 261,385
Contributions - other	-	2,277	-	2,200	10,000	-	14,477
Investment income	-	1,309	-	-	1,950	-	3,259
Other revenues	-	-	-	-	44,982	2,525	47,507
TOTAL REVENUES	228,431	9,343	2,197	2,200	81,932	2,525	326,628
EXPENDITURES:							
Current operations:							
Public works	368,519	-	2,008	2,404	-	1,490	374,421
Public health and safety	-	-	-	-	-	-	-
Library	-	49,260	-	-	-	-	49,260
Community development	-	-	-	-	155,939	-	155,939
TOTAL EXPENDITURES	368,519	49,260	2,008	2,404	155,939	1,490	579,620
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(140,088)	(39,917)	189	(204)	(74,007)	1,035	(252,992)
OTHER FINANCING SOURCES:							
Transfers in	140,088	1,653	-	-	100,000	-	241,741
Transfers (out)	-	-	-	-	(200)	-	(200)
TOTAL OTHER FINANCING SOURCES	140,088	1,653	-	-	99,800	-	241,541
CHANGES IN FUND BALANCE	-	(38,264)	189	(204)	25,793	1,035	(11,451)
Fund balance, beginning of year	-	38,264	4,239	1,255	116,706	1,194	161,658
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 4,428	\$ 1,051	\$ 142,499	\$ 2,229	\$ 150,207

City of Negaunee, Michigan

ENTERPRISE FUNDS

The function of the Enterprise Funds is to record the financing, acquisition, operation and maintenance of City activities that are predominantly self-supporting from user charges. The accrual basis of accounting is used in recording Enterprise Fund transactions.

City of Negaunee, Michigan
SEWER UTILITY FUND
Statement of Net Assets
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 441,736	\$ 752,708
Restricted assets - cash	2,453,129	2,358,858
Accounts receivable	141,467	83,094
Allowance for uncollectible accounts	(3,300)	(3,300)
Special assessment receivable	1,031	607
Unamortized bond issuance costs	71,292	75,045
TOTAL CURRENT ASSETS	3,105,355	3,267,012
Non-current Assets:		
Construction in progress	3,571,150	3,156,697
Land	40,000	40,000
Property, plant and equipment	8,524,152	8,514,968
Accumulated depreciation	(5,739,633)	(5,551,761)
TOTAL NON-CURRENT ASSETS	6,395,669	6,159,904
TOTAL ASSETS	9,501,024	9,426,916
LIABILITIES		
Current Liabilities:		
Accounts payable	37,903	13,472
Accrued salaries	7,046	5,972
Accrued sick and vacation leave	18,585	21,624
Current portion of long-term debt	90,000	90,000
TOTAL CURRENT LIABILITIES	153,534	131,068
Non-current Liabilities:		
Deferred amounts on refunding	(150,551)	(168,550)
Revenue bonds payable	2,435,000	2,525,000
TOTAL NON-CURRENT LIABILITIES	2,284,449	2,356,450
TOTAL LIABILITIES	2,437,983	2,487,518
NET ASSETS		
Invested in capital assets net of related debt	3,870,669	3,544,904
Net Assets:		
Restricted for debt service	226,000	226,000
Unrestricted	2,966,372	3,168,494
TOTAL NET ASSETS	\$ 7,063,041	\$ 6,939,398

City of Negaunee, Michigan

SEWER UTILITY FUND

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual

For the Year Ended December 31, 2007

With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
OPERATING REVENUES:		
Sewer permits and revenues	\$ 862,033	\$ 862,346
Municipal departments	4,825	4,829
Other operating revenues	132,901	23,945
TOTAL OPERATING REVENUES	999,759	891,120
OPERATING EXPENSES:		
Provision for depreciation	204,732	205,221
Customer accounting and collection	35,737	40,063
Administrative and general	270,866	235,299
Sewage, sanitary and storm sewers	366,842	104,861
Wastewater treatment plant	401,799	347,558
TOTAL OPERATING EXPENSES	1,279,976	933,002
OPERATING INCOME (LOSS)	(280,217)	(41,882)
NONOPERATING REVENUES (EXPENSES):		
Interest income	138,839	62,180
Penalties on delinquent accounts	(1,734)	-
Interest expense on bonds	(134,459)	(128,308)
TOTAL NONOPERATING (EXPENSES)	2,646	(66,128)
INCOME (LOSS) BEFORE CONTRIBUTIONS	(277,571)	(108,010)
Capital contributions:		
Federal	401,214	2,122,967
Non-federal	13,239	-
INCOME (LOSS) BEFORE TRANSFERS	136,882	2,014,957
Transfers in	-	-
Transfers (out)	(13,239)	-
CHANGE IN NET ASSETS	123,643	2,014,957
Net assets, beginning of year	6,939,398	4,924,441
NET ASSETS, END OF YEAR	\$ 7,063,041	\$ 6,939,398

City of Negaunee, Michigan
SEWER UTILITY FUND
Statement of Cash Flows
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2006	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash received from fees and charges for services	\$ 808,061	\$ 866,964
Other operating revenues	132,901	23,945
Cash payments to employees for services	(280,414)	(295,629)
Cash payments for payroll taxes	(21,440)	(20,317)
Cash payments to suppliers for goods and services	(750,924)	(414,470)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(111,816)	160,493
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments (to) from other funds	(13,239)	-
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(13,239)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(440,497)	(2,122,967)
Capital contributions received	414,453	2,122,967
Principal payment on long-term bonds	(90,000)	(85,000)
Interest paid on long-term bonds	(112,707)	(115,258)
Penalties on delinquent accounts	(1,734)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(230,485)	(200,258)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	138,839	62,180
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	138,839	62,180
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(216,701)	22,415
Cash and cash equivalents, beginning of year	3,111,566	3,089,151
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,894,865</u>	<u>\$ 3,111,566</u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 441,736	\$ 752,708
Restricted assets - cash	2,453,129	2,358,858
Total Cash and Cash Equivalents per Statement of Net Assets	<u>\$ 2,894,865</u>	<u>\$ 3,111,566</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (280,217)	\$ (41,882)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	204,732	205,221
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(58,373)	(12)
(Increase) decrease in special assessments receivable	(424)	(199)
Increase (decrease) in accounts payable	24,431	1,161
Increase (decrease) in payroll liabilities	(1,965)	(3,796)
NET ADJUSTMENTS	168,401	202,375
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (111,816)</u>	<u>\$ 160,493</u>

City of Negaunee, Michigan
ELECTRIC UTILITY FUND
Statement of Net Assets
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,188,622	\$ 1,747,596
Restricted assets - cash	33,159	33,159
Accounts receivable	339,602	190,760
Allowance for uncollectible accounts	(9,700)	(9,700)
Special assessment receivable	1,492	1,310
TOTAL CURRENT ASSETS	<u>1,553,175</u>	<u>1,963,125</u>
Noncurrent Assets:		
Investment in U.P.P.A. Electric Utility	165,472	165,472
Property, plant and equipment	1,790,707	1,761,172
Accumulated depreciation	(1,194,839)	(1,347,911)
TOTAL NONCURRENT ASSETS	<u>761,340</u>	<u>578,733</u>
TOTAL ASSETS	<u>2,314,515</u>	<u>2,541,858</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	51,428	48,182
Accrued salaries	5,301	5,274
Accrued sick and vacation leave	16,135	26,466
Current portion of notes payable	-	-
Customer deposits payable	229,062	232,858
TOTAL CURRENT LIABILITIES	<u>301,926</u>	<u>312,780</u>
Non-Current Liabilities:		
Notes payable	27,986	-
TOTAL NON-CURRENT LIABILITIES	<u>27,986</u>	<u>-</u>
TOTAL LIABILITIES	<u>329,912</u>	<u>312,780</u>
NET ASSETS		
Invested in capital assets net of related debt	567,882	413,260
Net Assets:		
Unrestricted	1,416,721	1,815,818
TOTAL NET ASSETS	<u>\$ 1,984,603</u>	<u>\$ 2,229,078</u>

City of Negaunee, Michigan

ELECTRIC UTILITY FUND

Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual

For the Year Ended December 31, 2007

With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
OPERATING REVENUES:		
Electric charges	\$ 2,769,375	\$ 1,824,083
Pole line rental	6,600	10,778
Other operating revenues	31,098	74,760
TOTAL OPERATING REVENUES	<u>2,807,073</u>	<u>1,909,621</u>
OPERATING EXPENSES:		
Transmission and distribution	340,663	312,029
Provision for depreciation	56,736	59,922
Customer accounting and collection	45,363	60,080
Administrative and general	150,090	138,692
Services purchased	2,114,760	1,207,051
TOTAL OPERATING EXPENSES	<u>2,707,612</u>	<u>1,777,774</u>
OPERATING INCOME (LOSS)	<u>99,461</u>	<u>131,847</u>
NONOPERATING REVENUES (EXPENSES):		
Interest income	94,892	98,506
Penalties on delinquent accounts	8,553	15,194
Interest and tax expense	(7,681)	(5,984)
TOTAL NONOPERATING (EXPENSES)	<u>95,764</u>	<u>107,716</u>
INCOME (LOSS) BEFORE TRANSFERS	195,225	239,563
Transfers in	200	-
Transfers (out)	(439,900)	(430,000)
CHANGE IN NET ASSETS	(244,475)	(190,437)
Net assets, beginning of year	<u>2,229,078</u>	<u>2,419,515</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,984,603</u></u>	<u><u>\$ 2,229,078</u></u>

City of Negaunee, Michigan
ELECTRIC UTILITY FUND
Statement of Cash Flows
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash received from fees and charges for services	\$ 2,623,157	\$ 1,817,855
Other operating revenues	31,098	74,760
Cash payments to employees for services	(250,625)	(233,610)
Cash payments for payroll taxes	(19,170)	(16,010)
Cash payments to suppliers for goods and services	(2,360,153)	(1,546,191)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	24,307	96,804
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments (to) from other funds	(439,700)	(430,000)
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(439,700)	(430,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(239,345)	-
Interest and tax expense	(7,681)	(5,984)
Penalties on delinquent accounts	8,553	15,194
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(238,473)	9,210
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	94,892	98,506
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	94,892	98,506
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(558,974)	(225,480)
Cash and cash equivalents, beginning of year	1,780,755	2,006,235
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,221,781	\$ 1,780,755
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 1,188,622	\$ 1,747,596
Restricted assets - cash	33,159	33,159
Total Cash and Cash Equivalents per Statement of Net Assets	\$ 1,221,781	\$ 1,780,755
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 99,461	\$ 131,847
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	56,736	59,922
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(148,840)	(23,112)
(Increase) decrease in special assessments receivable	(182)	176
Increase (decrease) in accounts payable	3,246	(76,787)
Increase (decrease) in payroll liabilities	(10,304)	(1,172)
Increase (decrease) in notes payable	27,986	-
Increase (decrease) in customer deposits payable	(3,796)	5,930
NET ADJUSTMENTS	(75,154)	(35,043)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 24,307	\$ 96,804

City of Negaunee, Michigan
WATER UTILITY FUND
Statement of Net Assets
December 31, 2007 and 2006

	2007	2006
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 268,446	\$ 409,289
Restricted assets - cash	224,300	219,500
Accounts receivable	63,645	74,362
Allowance for uncollectible accounts	(4,300)	(4,300)
Special assessment receivable	794	532
TOTAL CURRENT ASSETS	552,885	699,383
Non-current Assets:		
Investment in Joint Water Authority	543,875	543,875
Property, plant and equipment	9,049,837	9,039,611
Accumulated depreciation	(2,476,107)	(2,242,162)
TOTAL NON-CURRENT ASSETS	7,117,605	7,341,324
TOTAL ASSETS	7,670,490	8,040,707
LIABILITIES		
Current Liabilities:		
Accounts payable	17,954	15,997
Accrued liabilities	31,661	33,111
Accrued salaries	2,080	1,360
Accrued sick and vacation leave	762	6,481
Current portion of long-term debt	206,275	200,541
TOTAL CURRENT LIABILITIES	258,732	257,490
Non-current Liabilities:		
Deferred amounts on refunding	(75,469)	(88,048)
Contracts payable	1,075,838	1,250,113
Revenue bonds payable	1,944,000	1,976,000
TOTAL NON-CURRENT LIABILITIES	2,944,369	3,138,065
TOTAL LIABILITIES	3,203,101	3,395,555
NET ASSETS		
Invested in capital assets net of related debt	4,423,455	4,790,449
Net Assets:		
Unrestricted	43,934	(145,297)
TOTAL NET ASSETS	\$ 4,467,389	\$ 4,645,152

City of Negaunee, Michigan
WATER UTILITY FUND
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
OPERATING REVENUES:		
Water charges	\$ 725,470	\$ 731,792
Municipal departments	8,564	8,416
Tapping permits	3,600	3,730
Other operating revenues	3,741	4,832
TOTAL OPERATING REVENUES	741,375	748,770
OPERATING EXPENSES:		
Power and pumping	776	317
Transmission and distribution	132,835	88,771
Provision for depreciation	239,559	237,287
Customer accounting and collection	33,288	39,867
Administrative and general	285,957	258,210
Water meters	89,807	20,606
TOTAL OPERATING EXPENSES	782,222	645,058
OPERATING INCOME (LOSS)	(40,847)	103,712
NONOPERATING REVENUES (EXPENSES):		
Interest income	23,824	21,024
Penalties on delinquent accounts	(4,572)	-
Interest expense on bonds	(156,168)	(163,641)
TOTAL NONOPERATING (EXPENSES)	(136,916)	(140,617)
CHANGE IN NET ASSETS	(177,763)	(38,905)
Net assets, beginning of year	4,645,152	4,684,057
NET ASSETS, END OF YEAR	\$ 4,467,389	\$ 4,645,152

City of Negaunee, Michigan
WATER UTILITY FUND
Statement of Cash Flows
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash received from fees and charges for services	\$ 748,088	\$ 740,420
Other operating revenues	3,741	4,832
Cash payments to employees for services	(115,049)	(124,908)
Cash payments for payroll taxes	(8,685)	(8,033)
Cash payments to suppliers for goods and services	(423,421)	(501,558)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	204,674	110,753
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments (to) from other funds	-	-
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(15,839)	-
Principal payment on long-term bonds	(200,541)	(193,054)
Interest paid on long-term bonds	(143,589)	(150,393)
Penalties on delinquent accounts	(4,572)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(364,541)	(343,447)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	23,824	21,024
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	23,824	21,024
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(136,043)	(211,670)
Cash and cash equivalents, beginning of year	628,789	840,459
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 492,746	\$ 628,789
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 268,446	\$ 409,289
Restricted assets - cash	224,300	219,500
Total Cash and Cash Equivalents per Statement of Net Assets	\$ 492,746	\$ 628,789
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (40,847)	\$ 103,712
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	239,559	237,287
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	10,716	(3,260)
(Increase) decrease in special assessments receivable	(262)	(258)
Increase (decrease) in accounts payable	1,957	(224,639)
Increase (decrease) in payroll liabilities	(6,449)	(2,089)
NET ADJUSTMENTS	245,521	7,041
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 204,674	\$ 110,753

City of Negaunee, Michigan
CABLE UTILITY FUND
Statement of Net Assets
December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 69,870	\$ 143,857
Restricted assets - cash	50,000	50,000
Accounts receivable	40,902	36,469
Allowance for uncollectible accounts	<u>(1,300)</u>	<u>(1,300)</u>
TOTAL CURRENT ASSETS	<u>159,472</u>	<u>229,026</u>
Non-current Assets:		
Property, plant and equipment	596,669	556,682
Accumulated depreciation	<u>(522,765)</u>	<u>(513,120)</u>
TOTAL NON-CURRENT ASSETS	<u>73,904</u>	<u>43,562</u>
TOTAL ASSETS	<u>233,376</u>	<u>272,588</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	22,053	25,703
Accrued salaries	1,812	1,473
Accrued sick and vacation leave	1,309	1,051
Current portion of notes payable	<u>-</u>	<u>-</u>
TOTAL CURRENT LIABILITIES	<u>25,174</u>	<u>28,227</u>
Non-current Liabilities:		
Long term portion of notes payable	<u>27,987</u>	<u>-</u>
TOTAL NON-CURRENT LIABILITIES	<u>27,987</u>	<u>-</u>
TOTAL LIABILITIES	<u>53,161</u>	<u>28,227</u>
NET ASSETS		
Invested in capital assets net of related debt	45,917	43,562
Net Assets:		
Unrestricted	<u>134,298</u>	<u>200,799</u>
TOTAL NET ASSETS	<u>\$ 180,215</u>	<u>\$ 244,361</u>

City of Negaunee, Michigan
CABLE UTILITY FUND
Schedule of Revenues, Expenses and Changes in Net Assets - Budget and Actual
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
OPERATING REVENUES:		
Cable TV subscriptions	\$ 384,226	\$ 380,890
Home box office	16,824	20,255
Cable TV installation fee	3,493	3,987
Miscellaneous	6,883	22,272
TOTAL OPERATING REVENUES	411,426	427,404
OPERATING EXPENSES:		
Transmission and distribution	100,901	83,364
Provision for depreciation	9,646	9,193
Customer accounting and collection	36,791	38,467
Administrative and general	84,367	62,405
Services purchased	252,024	241,906
TOTAL OPERATING EXPENSES	483,729	435,335
OPERATING INCOME (LOSS)	(72,303)	(7,931)
NONOPERATING REVENUES (EXPENSES):		
Interest income	6,868	6,369
Penalties on delinquent accounts	1,289	-
TOTAL NONOPERATING REVENUES	8,157	6,369
CHANGE IN NET ASSETS	(64,146)	(1,562)
Net assets, beginning of year	244,361	245,923
NET ASSETS, END OF YEAR	\$ 180,215	\$ 244,361

City of Negaunee, Michigan
CABLE UTILITY FUND
Statement of Cash Flows
For the Year Ended December 31, 2007
With Comparative Actual Amounts for the Year Ended December 31, 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net cash received from fees and charges for services	\$ 400,110	\$ 403,115
Other operating revenues	6,883	22,272
Cash payments to employees for services	(79,134)	(83,123)
Cash payments for payroll taxes	(6,052)	(5,159)
Cash payments to suppliers for goods and services	(363,963)	(333,220)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(42,156)	3,885
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments (to) from other funds	-	-
Increase in due to other funds	-	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and construction of capital assets	(39,988)	-
Principal payments on long-term debt	-	-
Interest paid on long-term debt	-	-
Penalties on delinquent accounts	1,289	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(38,699)	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment income	6,868	6,369
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	6,868	6,369
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(73,987)	10,254
Cash and cash equivalents, beginning of year	193,857	183,603
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 119,870</u>	<u>\$ 193,857</u>
Reconciliation to Statement of Net Assets:		
Cash and cash equivalents	\$ 69,870	\$ 143,857
Restricted assets - cash	50,000	50,000
Total Cash and Cash Equivalents per Statement of Net Assets	<u>\$ 119,870</u>	<u>\$ 193,857</u>
	-	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (72,303)	\$ (7,931)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	9,646	9,193
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, net	(4,433)	(2,017)
Increase (decrease) in accounts payable	(3,650)	4,403
Increase (decrease) in payroll liabilities	597	237
Increase (decrease) in notes payable	27,987	-
NET ADJUSTMENTS	30,147	11,816
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (42,156)</u>	<u>\$ 3,885</u>

COMPLIANCE SUPPLEMENTS



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Negaunee, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the City of Negaunee, Michigan's basic financial statements and have issued our report thereon dated June 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Negaunee, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Negaunee, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Negaunee, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Negaunee, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Negaunee, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the City of Negaunee, Michigan's internal control. We consider the deficiencies described in a separate letter to management dated June 18, 2008 to be significant deficiencies in internal control over financial reporting (item 07-01).

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Negaunee, Michigan's internal control.

Our consideration of the internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies, and communicated them in writing to management and the City Council on June 18, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Negaunee, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in a separate letter to management dated June 18, 2008 as items 07-02.

The City of Negaunee, Michigan's response to the findings identified in our audit is described in a separate letter to management dated June 18, 2008. We did not audit the City of Negaunee, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, and others within the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

June 18, 2008



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City of Negaunee, Michigan
Report to Management Letter
For the Year Ended December 31, 2007

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Negaunee, Michigan 49866

In planning and performing our audit of the financial statements of City of Negaunee, Michigan as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered City of Negaunee, Michigan's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Negaunee, Michigan 49866

07-01 Internal Control Reconciliation Function

In any system of internal accounting control one of the main ingredients is a strong reconciliation function. The general ledger contains the accounts and records which are the basis for the preparation of interim financial statements and for them to be free of a material error or irregularity, the necessity for timely reconciliations cannot be overemphasized.

The most significant account in the City's accounting system that currently needs to be reconciled on a timely basis is the utility accounts receivable. We have suggested, and good internal control dictates, the general ledger account be reconciled on a monthly basis and any adjustments to be made be processed timely.

Managements Response: During the course of the year, the City switched from manually reconciling the outstanding utility bills at the end of each month to an automated process in which the utility billing system automatically posts to the general ledger outstanding balances. Before the end of the year, the City was unable to reconcile the automated process in the new system. Management will be evaluating and resolving the cause during 2008 and will once more be reconciling outstanding utilities receivable on a monthly basis.

07-02 Instances of Noncompliance

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures shall be filed with the State Treasurer and reported to the Attorney General.

The City was found to be in violation of the legal and contractual provisions of Public Act 621 in certain individual funds as enumerated upon in Footnote Q.

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Negaunee, Michigan 49866

The City of Negaunee's written response to the significant deficiencies identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, the City Council, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Company, PLLC
Certified Public Accountants

June 18, 2008



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Partners

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Daniel E. Bianchi, CPA

June 18, 2008

To the Honorable Mayor and
Members of the City Council
City of Negaunee, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Negaunee, Michigan for the year ended December 31, 2007, and have issued our report thereon dated [Date] . Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated January 14, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the City of Negaunee, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City of Negaunee, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City of Negaunee, Michigan's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on the City of Negaunee, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of Negaunee, Michigan's compliance with those requirements.

To the Honorable Mayor and
Members of the City Council
City of Negaunee, Michigan

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter dated January 14, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Negaunee, Michigan are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The following material misstatements detected as a result of audit procedures were corrected by management:

- Adjusting debt-related accounts for the following: reclassification of principal payments to the balance sheet and amortization of bond issuance costs and bond deferrals.
- Removing amounts recorded as account payables that were not outstanding as of 12/31/07.
- Adjusting grant receivable and amounts due from the State as of 12/31/07.
- Adjusting capital assets: reclassifying additions and disposals to the balance sheet.
- Reclassifying designated fund balance to fund balance.
- Adjusting Croix Street Project revenue and expense to agree to amount provided from MDOT for Federal and State expenditures as of 12/31/07.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the

To the Honorable Mayor and
Members of the City Council
City of Negaunee, Michigan

auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 18, 2008.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition for our retention.

This information is intended solely for the use of the City Council and management of the City of Negaunee, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

**CITY OF NEGAUNEE, MICHIGAN
FEDERAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 2007**

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Negaunee, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the City of Negaunee, Michigan's basic financial statements and have issued our report thereon dated June 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Negaunee, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Negaunee, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Negaunee, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Negaunee, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Negaunee, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the City

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

of Negaunee, Michigan's internal control. We consider the deficiencies described in a separate letter to management dated June 18, 2008 to be significant deficiencies in internal control over financial reporting (item 07-01).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Negaunee, Michigan's internal control.

Our consideration of the internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we consider to be significant deficiencies, and communicated them in writing to management and the City Council on June 18, 2008.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Negaunee, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in a separate letter to management dated June 18, 2008 as items 07-02.

The City of Negaunee, Michigan's response to the findings identified in our audit is described in a separate letter to management dated June 18, 2008. We did not audit the City of Negaunee, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, and others within the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
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June 18, 2008



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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Honorable Mayor, Members of the City
Council and the City Manager of the
City of Negaunee, Michigan 49866

Compliance

We have audited the compliance of the City of Negaunee, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2007. The City of Negaunee, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Negaunee, Michigan's management. Our responsibility is to express an opinion on the City of Negaunee, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Negaunee, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Negaunee, Michigan's compliance with those requirements.

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

In our opinion, the City of Negaunee, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2007.

Internal Control Over Compliance

The management of the City of Negaunee, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Negaunee, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Negaunee, Michigan's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

aggregate remaining fund information of the City of Negaunee, Michigan, as of and for the year ended December 31, 2007, and have issued our report thereon dated June 18, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Negaunee, Michigan's, basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The City of Negaunee, Michigan's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Negaunee, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

June 18, 2008



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

We have audited the accompanying financial statements of the governmental activities, business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Negaunee, Michigan, as of and for the year ended December 31, 2007, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Negaunee, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Negaunee, Michigan, as of December 31, 20067, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and City Council
City of Negaunee, Michigan 49866

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2008, on our consideration of City of Negaunee, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 12 and 48 through 58, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods and measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Negaunee, Michigan's basic financial statements. The combining and individual non-major fund statements, and the accompanying schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Negaunee, Michigan. The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

June 18, 2008

City of Negaunee, Michigan
Schedule of Expenditures of Federal Awards
For the year ended December 31, 2007

Federal Grantor/Pass Through Grantor Program Title	Federal C.F.D.A. Number	Project Number	Award Amount	Federal Expenditures
U.S. Department of Defense:				
Direct Award:				
Environmental Infrastructure Assistance Project-Wastewater Improvements (Section 219(f)(60) of Water Resources Development Act of 1992)	12.XXX	N/A	\$ 8,375,026	\$ 5,663
Total U.S. Department of Defense				5,663
U.S. Department of Transportation:				
Passed Through Michigan Department of Transportation (SEE NOTE C)				
Highway Planning and Construction	20.205	HPSL 0752(445)	900,000	99,024
Passed Through the County of Marquette, Michigan				
State and Community Highway Safety	20.600	N/A	956	956
Total U.S. Department of Transportation				99,980
U.S. Environmental Protection Agency:				
Direct Award:				
City of Negaunee Wastewater System Improvements-Special Appropriation Act 2002	66.606	XP-97591701-0	2,910,000	395,651
Total U.S. Environmental Protection Agency				395,651
TOTAL FEDERAL FINANCIAL ASSISTANCE				\$ 501,294

CITY OF NEGAUNEE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2007

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Negaunee, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - OVERSIGHT AGENCY:

The U.S. Environmental Protection Agency is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the City's federal financial assistance.

NOTE C – CROIX STREET PROJECT:

During the year ended December 31, 2007, the City of Negaunee received and expended \$99,024 in federal funding. Projects utilizing this aid were administered by the Michigan Department of Transportation and will be audited for compliance by the State. The State is responsible for including these projects in its schedule of expenditures of federal awards.

CITY OF NEGAUNEE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007

Section I - Summary of Auditors' Results

Financial Statements

- Type of auditors' report issued: Unqualified
- Internal control over financial reporting:
 - No material weaknesses were identified.
 - Significant deficiencies not considered to be material weaknesses were identified (refer to Section II).
- Noncompliance items material to the financial statements were identified (refer to Section II).

Federal Awards

- Internal Control over major programs:
 - No material weaknesses were identified.
 - No significant deficiencies not considered to be material weaknesses were identified.
- Type of auditors' report issued on compliance for major programs: Unqualified.
- Audit findings that are required to be reported in accordance with Circular A-133, Section .510(a): None.

Major Programs

- CFDA #66.606 City of Negaunee Wastewater System Improvements-Special Appropriation Act 2002
- Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- Auditee qualified as low-risk auditee? Yes.

Section II - Financial Statement Findings

- The following significant deficiencies in internal control over financial reporting were noted:

07-1 *Condition:* The City was not reconciling its outstanding utilities receivable on a monthly basis to the general ledger.

Criteria: Monthly reconciliation of major general ledger accounts is a crucial internal control function.

CITY OF NEGAUNEE, MICHIGAN
SCHEDULE FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended December 31, 2007

Recommendation: The City should reconcile the outstanding utilities receivable on a monthly basis.

Management Response: During the course of the year, the City switched from manually reconciling the outstanding utility bills at the end of each month to an automated process in which the utility billing system automatically posts to the general ledger outstanding balances. Before the end of the year, the City was unable to reconcile the automated process in the new system. Management will be evaluating and resolving the cause during 2008 and will once more be reconciling outstanding utilities receivable on a monthly basis.

- The following noncompliance items were noted:

07-2 Condition: The City was found to be in violation of the legal and contractual provisions of Public Act 621 whereby excesses of expenditures over appropriations existed in certain individual funds as enumerated in Footnote Q of the financial statements.

Criteria: Internal controls should be in place to ensure expenditures do not exceed appropriations.

Effect: When expenditures exceed appropriations, the City is in violation of Public Act 621 and there is a potential negative impact on the financial position.

Recommendation: The City should monitor expenditures throughout the fiscal year to ensure expenditures do not exceed appropriations.

Management Response: Management concurs.

Section III - Federal Award Findings and Questioned Costs

- There were no findings and/or questioned costs identified.

CITY OF NEGAUNEE, MICHIGAN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2007

Section III - Federal Award Findings and Questioned Costs

- There were no findings and/or questioned costs identified in the prior year.